FINANCIAL TIMES

Europe's Business Newspaper FRIDAY JULY 22 1994 D8523A

Salomon Brothers reports second quarter $410m loss

Plunging stock values and a fall-off in trading and underwriting activity drove Salomon Brothers, the securities broking firm, into a heavier than expected second-quarter loss of $410m before tax. This left Salomon, the parent group, with a quarterly net loss of $204m, or $2.08 a share. In the same quarter of last year, net income amounted to $433m, or $3.32 a share. Although the group warned Wall Street of its poor second quarter two weeks ago, the scale of losses surprised analysts. Page 15

Blair new UK Labour party leader: Britain's opposition Labour party elected Mr Tony Blair as its new leader by a decisive margin, giving him a clear mandate to push the party further into the political centre ground. Page 14; Smith's legacy, Page 8; Joe Rogaly, Page 12

Sony, the consumer electronics company, said it was halting production at its plant at Atsuta, outside Nagoya, where it produces printed circuit boards for video cameras, because of a decline in the domestic market. It will consolidate domestic production at its other Japanese plant. Page 14

Brady investment in Peru: A company formed by former US Treasury secretary Nicholas Brady is to invest in Peru's commercial banking sector, rated a high risk while it awaits a Brady plan to reschedule its debt. Page 3

AT&T: The largest US telecommunications group reported solid second-quarter profits of $1.13bn, bringing first-half earnings to $2.22bn, compared with a $5.8bn first-half loss a year ago. The improvement was due to strong revenue growth in long distance telecommunications, equipment manufacturing and financial services business. Page 18

International court planned: The first step towards an international court to try crimes such as genocide, war crimes, terrorist acts and drugs trafficking was taken with the adoption of draft statutes by the United Nations International Law Commission. Page 4

Israel closer to returning Golan: Israel sent further signals to Syria that it was preparing public opinion for returning the occupied Golan Heights, making a "deep and painful" withdrawal in return for security, peace and normal relations. Page 4

US plans for spy chip abandoned: The Clinton administration has abandoned its efforts to force the computer industry to introduce a semiconductor known as a clipper chip, which would have let intelligence services eavesdrop on the information superhighway. Page 3

Ecuador parliament rejects telecom sale: The Ecuadorean government suffered a severe blow to its privatisation programme with parliament's rejection of a bill to allow the sale of shares in the state telephone company, Emetel, which is worth an estimated $1.7bn. Page 3

Northwest Airlines, the fourth biggest US carrier, reported a turnround from net losses of $136.2m last time to net profits of $71.3m for its first full quarter since returning to the stock market in March. Page 18

Overseas investment boost for UK jobs: Overseas companies created a record 28,727 new jobs in the UK last year through inward investment projects, and helped safeguard a further 67,372 jobs, Michael Heseltine, trade and industry secretary, said. Page 7

ED&F Man, one of the world's largest agricultural commodity traders currently owned by 100 of its top managers, is planning a stock market flotation in September which is expected to value the company at about £450m ($697m). Page 21

US request on Haiti: US ambassador Madeleine Albright said she was seeking United Nations approval for a US-led force to use "all necessary means" to restore democracy in Haiti.

Wellcome, UK pharmaceuticals group, reported pre-tax profits up 12 per cent at £182m ($282m) for the four months to June 30. John Robb, chairman and chief executive, said the company had shown impressive growth which he expected to continue for the rest of the year. Page 15; Lex, Page 14

Kmart, the troubled US discount store group, performed an about-turn by saying it was selling its 21.5 per cent in Coles Myer, the Australian retailer, for A$1.26bn (US$924m). It had been denying reports of the sale as recently as last month. Page 15

S Africans back at Lord's: The South Africans, emerging from sporting isolation with the end of apartheid, began their first cricket series against England for 29 years. At the end of the first day at Lord's they were 244 for six, with captain Kepler Wessels making 105. Page 7

■ STOCK MARKET INDICES		
FT-SE 100:	3,095.1	(+17.9)
Yield	4.03	
FT-SE Eurotrack 100	1,371.54	(+3.98)
FT-SE-A All-Share	1,545.30	(+0.5%)
Nikkei	20,622.92	(-157.84)
New York: lunchtime		
Dow Jones Ind Ave	3,734.39	(+7.12)
S&P Composite	452.10	(+0.50)
■ US LUNCHTIME RATES		
Federal Funds:	4⅞%	
3-mo Treas Bills: Yld	4.367%	
Long Bond	94⅝	
Yield	7.537%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(5⅞%)
Liffe long gilt future:	Sep 103¼	(same)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$17.645	(17.52)
■ Gold		
New York Comex (Aug)	$384.3	(385.6)
London	$388.3	(387.0)

■ STERLING		
New York lunchtime:		
$	1.537	
London:		
$	1.5375	(1.5486)
DM	2.4231	(2.4259)
FFr	8.3064	(8.3101)
SFr	2.0464	(2.0508)
Y	151.728	(152.974)
£ Index	79.8	(79.3)
■ DOLLAR		
New York lunchtime:		
DM	1.57825	
FFr	5.4	
SFr	1.3355	
Y	98.8	
London:		
DM	1.576	(1.5662)
FFr	5.4025	(5.365)
SFr	1.331	(1.324)
Y	98.685	(98.76)
$ Index	63.1	(62.9)
Tokyo close Y 98.68		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils825	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000	UAE	Dh12.00

EU parliament averts crisis over president but signals power struggle ahead

Santer wins grudging endorsement from MEPs

By Lionel Barber in Strasbourg

European parliament comes of age ....Page 2
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The European Parliament grudgingly endorsed the appointment yesterday of Mr Jacques Santer as the next president of the European Commission, averting a confrontation with EU governments committed to the Luxembourg prime minister.

After a nerve-wracking debate in which MEPs demanded to be treated as equals to the EU's governing Council of Ministers, the Parliament voted by 260 votes to 238 to support Santer's nomination, with 23 abstentions.

Mr Santer, looking relieved, told MEPs in Strasbourg: "I think the European Parliament has shown itself worthy of the powers that have been given to it."

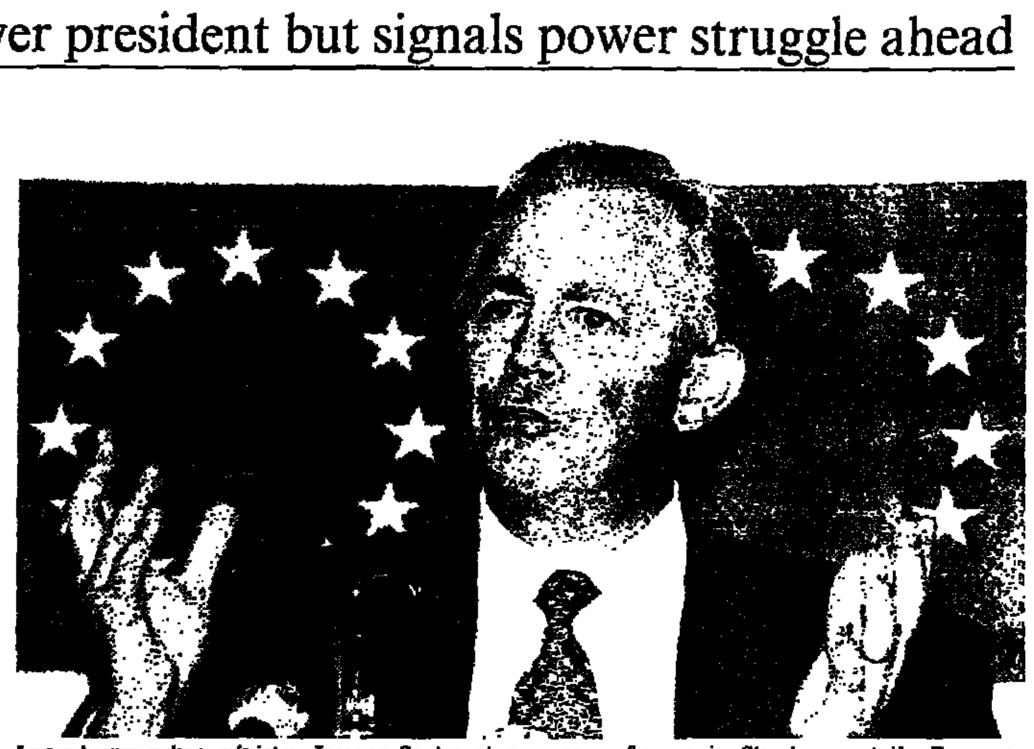
The lukewarm endorsement ends a period of uncertainty about the succession to Mr Jacques Delors, but it heralds a broader power struggle between the parliament and other institutions, expected to come to a head in 1996 during the Maastricht treaty review.

After the vote, MEPs seemed pleased at delivering an unambiguous warning to member state governments to consult it in future, but mildly relieved at avoiding an institutional crisis.

The Maastricht treaty gives MEPs the right to be consulted on the Commission president-designate, as well as the power to reject the Commission president and his team after they present their programme for the next five years to the Parliament later this year.

Yesterday, during a debate when Mr Santer's fitness for the job was questioned, the Parliament turned the right of consultation into a de facto vote of confidence.

Mr Santer, 57, a Christian Democrat and prime minister of Luxembourg for 10 years, squeezed through only with support from Greek, Portuguese, and Spanish socialists who were reluctant to upset their national party leaders.



Luxembourg prime minister Jacques Santer at a press conference in Strasbourg at the European Parliament, which narrowly voted to approve his nomination as European Commission president Reuter

He was also backed by the neo-fascists from Italy, and won overwhelming support from fellow Christian Democrats. Many MEPs voiced unhappiness that Mr Santer had emerged as a compromise candidate after Britain's veto last month of Mr Jean-Luc Dehaene, the Belgian prime minister backed by France and Germany. One Dutch MEP called him "a man of the past".

Asked if his choice represented the lowest common denominator, Mr Santer replied: "I'm a common denominator of course because I was chosen by the 12. If I'm the lowest, I don't know. You have to judge me on my actions."

Mr Klaus Kinkel, the German foreign minister, predicted Mr Santer would be a first class successor to Mr Delors. He acknowledged weaknesses in the selection process, and pledged to consult more closely with the European Parliament.

Before the vote, Mr Santer gave Parliament an outline of the priorities the Commission would follow during his five-year term which runs with the newly-elected Parliament from January.

Mr Santer said EU leaders should bridge the gulf with European citizens, many of whom boycotted last month's European parliamentary elections. It was vital to convince the public in member states that European integration was unavoidable.

In his speech, he stressed the need for new economic growth in order to tackle endemic unemployment which was undermining European society. He also called for a "new stimulus" to integration.

Looking ahead to the 1996 Maastricht review conference, he said the EU would have to examine its structures and working practices to prepare for enlargement to the East and South.

IBM earnings rise surprises Wall Street

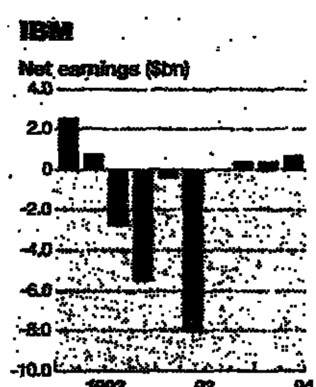
By Louise Kehoe in San Francisco

International Business Machines surprised Wall Street yesterday with higher than expected second quarter earnings as expenses were sharply reduced and revenues increased slightly.

It said demand for mainframe computers was strong, but it still faced serious problems in its personal computer operations. IBM also said it had raised the target for cost reductions, which could result in further job losses.

Mr Lou Gerstner, chairman and chief executive, said: "I'm pleased with our continued progress. We are still far from where we need to be, but we are showing steady improvement."

IBM's share price gained $5⅛ to $61 by midday in New York.



Second quarter earnings of $689m, or $1.14 per share, were well above analysts' estimates of 45-80 cents per share. During the same period last year, IBM reported a loss of $40m, or 8 cents per share, before restructuring charges that brought net losses to $8bn or $14.10 per share.

Revenues for the quarter were $15.4bn, an increase of 3 per cent over last year's figure of $14.6bn. Sales of computer hardware sales rose 3 per cent, but software revenue was flat. Revenues were flat in the US ($5.9bn) and Europe ($5.5bn) while sales in the Asia Pacific region picked up 14 per cent to $3.8bn.

"The earnings improvements have come a bit faster than we thought, " said Mr Jerry York, chief financial officer. "But we still have to finish the expense reduction programme and get the revenue really growing."

Total expenses declined by 18 per cent in the quarter and 8,000 jobs were eliminated. Research and development spending was reduced by almost 21 per cent to $1.1bn , while general expenses were down 12 per cent at $3.9bn.

Last year, IBM said it intended to cut expenses by $7bn, from 1992 levels, by 1996. To date, expenses are down $4.8bn.

Mr York said IBM had increased its expense reduction goal to $8bn. It still plans to reduce its workforce by a further 20,000 by the end of this year to 215,000 and further job cuts now appear likely in 1995.

In IBM's traditional mainframe computer business, demand exceeded supply.

"We are sold out on mainframes well into the fourth quarter," said Mr York. Revenues continue to decline as a result of price cuts, but the rate of decline has slowed.

IBM's approximately $13bn personal computer business, however, is facing serious problems. Revenues declined in the US, Mr York said, although there was "decent growth in overseas markets" and overall revenue growth was about 5 per cent. In contrast, Compaq Computer, IBM's strongest PC rival, this week announced 55 per cent growth in quarterly revenues.

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Bundesbank raises hope of fall in rates

By Christopher Parkes in Frankfurt

Mr Hans Tietmeyer, the Bundesbank president, yesterday reinforced expectations that German interest rates could fall again in the autumn by suggesting that growth in money supply is less than unadjusted figures suggest and that inflation is heading in the right direction.

Mr Tietmeyer, speaking after a midyear review of the bank's M3 measure of money supply, indicated that the German central bank was relying less than usual for policy guidance on its volatile M3 indicator. The distinction between money which could potentially fuel inflation (the normal M3 constituents) and funds invested for the long-term had become less clear, he said.

But the Bundesbank would not give up M3, he stressed. It was a part of Germany's "stability culture". Experience showed the link between the measure and future inflation to be intact, while yesterday's review of alternatives had shown them to be "second-best solutions", he said.

A review of possible modifications to presentation and interpretation would continue until December when the 1995 M3 growth target was due to be fixed. Meanwhile, trends in public spending policy, wage agreements and near-term inflation were important factors guiding policy, he suggested.

"As long as other sources make us confident that future price developments are moving in the right direction, deviations from the M3 target path can to some extent be tolerated," Mr Tietmeyer said.

The consumer price index, currently rising at 3 per cent, was on the right track, and there were signs of further flattening, he said. Recent increases in raw materials prices were being countered by the relative strength of the D-Mark against the US dollar, he added.

Although a statement from the bank warned that lingering excess liquidity in the M3 figure would give grounds for concern, Mr Tietmeyer claimed the measure had been growing at an "adjusted" annual rate of around 6 per cent for the last three months.

This is close to the bank's

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Italy fails to decide economic policy

By Robert Graham in Rome

Hopes that the Berlusconi government would reach a quick comprehensive agreement on economic policy collapsed last night over serious differences on spending cuts and how to raise funds to hold down the budget deficit.

The major casualty was the much-promised shake-up in the costly state pensions scheme proposed by the Treasury and designed to save at least L8,000bn ($5.17bn) next year. After serious reservations from Mr Clemente Mastella, the labour minister, and threats of a major confrontation from the unions, the cabinet indicated it was willing to let the matter rest until September.

Failure to agree on pension cuts was accompanied by a row among the main partners in the rightwing coalition over the introduction of a pardon for people who have constructed buildings built without proper permission and without paying the

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Telegraph chairman in sharp attack on Cazenove

By Raymond Snoddy and Robert Peston

Mr Conrad Black, chairman of The Telegraph Group, has launched an unprecedented public attack on Cazenove, the most discreet and illustrious of British stockbrokers, for the manner in which the firm withdrew from the Telegraph account.

Mr Black described Cazenove's abrupt resignation last month as broker to the Telegraph as "scandalous and dishonourable".

The resignation followed the row over Hollinger, Mr Black's Canadian company that controls the Telegraph Group, selling £73m worth of shares to institutions in May, a month before the weekday cover price of the Daily Telegraph was cut.

On the day the price cut was announced, Telegraph shares fell by 191p to 349p, enraging investors who had bought the shares through Cazenove at 587p barely a month before.

The Stock Exchange has cleared Mr Black of any impropriety.

Mr Black says he was given two hours' notice of Cazenove's decision even though he believed after talking to senior Cazenove staff they would "not do anything provocative" and would not withdraw abruptly. He believed there would be a natural parting of the ways once the dust had settled.

Cazenove had a great name, Mr Black said, but on this occasion the firm's behaviour had been "absolutely outrageous".

Mr Black's comments were put yesterday to the stockbroking firm's new senior partner, Mr Mark Loveday, who said he would not respond to any of the allegations.

Apart from the abruptness of the decision, Mr Black is angry that an unnamed senior Cazenove official told the Financial Times that it was the first time in recent memory the firm had voluntarily resigned as stockbroker to a company.

This, Mr Black said, had the effect of "poisoning the wells" and of "inflicting the maximum

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Kok aims to break Dutch deadlock

By Ronald van de Krol in Amsterdam

The Netherlands' last chance to come up with a new government before autumn rests firmly on the shoulders of Mr Wim Kok, the country's outgoing finance minister and long-time leader of the Labour party.

At the request of Queen Beatrix, Mr Kok is working in secret on a government programme which he hopes will break the impasse following inconclusive general elections on May 3.

The fruits of his labours, begun two weeks ago, are expected to be revealed on Monday. If his ideas are accepted by a majority of MPs, Mr Kok could emerge as the next prime minister of a new coalition, succeeding Mr Ruud Lubbers, the country's veteran leader who has kept the government ticking over as a caretaker premier since May.

But if the Labour party rejects the proposals, Mr Kok might find he has manoeuvred himself into a job as leader of the opposition.

The challenge for Mr Kok – to write a government programme single-handedly – is unusual as Dutch coalitions are normally created through direct talks between parties.

In May's elections the two biggest parties, the Christian Democrats and Labour, lost heavily to the right-wing Liberals and D66, a left-of-centre party. This fragmentation means that at least three parties will be needed to form a government majority, in contrast to the outgoing two-party coalition of Christian Democrats and Labour.

Queen Beatrix decided to appoint Mr Kok as a neutral "informateur" above party politics in early July, with his appointment coming days after a six-week attempt to form a government between Labour, the Liberals and D66 failed.

However, it is looking increasingly likely that Mr Kok's efforts may yet result in an historic "purple" coalition between the three parties.

The term "purple" comes from mixing the party hues: Labour's "red", the "Tory-blue" of the Liberals and the green logo of D66. But the term also implies a coalition that would exclude the Christian Democrats from power for the first time in modern Dutch politics.

The first attempt to form a government between Labour, the Liberals and D66 was scuttled by disagreement over future spending cuts.

The parties had reached broad consensus in other areas but still needed to find additional spending cuts. Labour argued that savings should be found within ministries while the Liberals insisted that greater economies should be made in the country's social welfare system.

On Tuesday night, Mr Frits Bolkestein, Liberal leader, emerged from talks with Mr Kok to say the Labour leader was prepared to take certain employees' insurance schemes out of the public sector and leave them to employers. This could be a concession to the Liberals' demands for radical changes in social security.

At the same time, Mr Jacques Wallage, Mr Kok's deputy in the Labour party, revealed that the expected shortfall in the social security budget over the next four years could be only Fl 1.2bn (£444m) rather than the Fl 3bn that was assumed last month. This could reduce the need to make sharp cuts in social spending.

Mr Kok expects to reveal all to a politics-weary country next week. If his solo efforts at forming a government fail, however, the search for a new coalition could easily stretch into the autumn.

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MEPs issue wake-up call to Twelve with narrow vote for Santer

Europe's new parliament shows it means to be taken seriously

Yesterday's meeting marked turning point for Strasbourg assembly, writes Lionel Barber

The European parliament came of age yesterday. Casting aside a reputation for low attendance and long-windedness, newly elected MEPs staged a thoughtful debate on the nomination of Mr Jacques Santer which culminated in a nerve-wracking climax.

The narrow vote in favour of Mr Santer, the Luxembourg prime minister and one-time MEP, should serve as a wake-up call. Governments (and national parliaments) who would like to condemn the parliament to irrelevance will have to adjust to an institution which is determined to be treated as an equal partner alongside the Council of Ministers and the Commission.

Mr Gijs De Vries, leader of the Liberal group, echoed a widespread sentiment at this week's inaugural parliamentary session Strasbourg. "We are determined not be taken for granted. The net result of today's vote will be greater parliamentary influence over the Commission."

The relief on Mr Santer's face in victory suggests that he senses the potential shift in power; so too, Mr Klaus Kinkel, German foreign minister, who promised to consult more closely with the parliament in the choice of future presidents of the Commission, a post which remains the most powerful non-elected executive job in Europe.

British officials were more cautious. They recalled that, in 1979, the newly-elected European parliament, the first elected by universal suffrage, voted down the EU budget. This vote was also a muscle-flexing exercise aimed at creating a crisis with the Council of Ministers, but it did not lead immediately to new powers to control expenditure.

The parliament's threats of provoking an institutional crisis have periodically led to accusations that its members are pursuing "Duke of York" tactics, marching its troops to the top of the hill and retreating at the first whiff of cordite from the Council of Ministers.

Only a few months ago, MEPs backed off from threats to delay enlargement because the Council refused to streamline voting procedures to make decision-making easier once the European Union takes in Austria, Finland, Sweden and Norway as members next year.

Many suspected that criticism of the nomination of Mr Santer to succeed Mr Jacques Delors as Commission president was empty talk, too – though an early warning of trouble came on Tuesday when MEPs used the Maastricht treaty's powers to cast the first-ever vote of rejection against a Council of Ministers' decision to liberalise the voice telecommunications market by 1998.

Two days later, the parliament tackled the Santer nomination. It was encouraged by a selection process for the Commission president which was at best ham-fisted, at worst a quick-fix which produced the lowest-common denominator candidate.

The process began last year with Chancellor Helmut Kohl of Germany vetoing Mr Ruud Lubbers, the Dutch prime minister, on personal grounds; it continued with Prime Minister John Major of the UK vetoing Prime Minister Jean-Luc Dehaene of Belgium last month to shore up his own position with Eurosceptics in his own Conservative party; and it ended with Mr Kohl producing Mr Santer last week as the candidate who, by his own admission, would have happily remained in Luxembourg.

The debate on the Santer nomination suggests that new forces are at work, unleashed by an influx of MEPs eager to take advantage of expanded powers which the parliament gained in the 1991 Maastricht treaty. One such power gives members the right to be "consulted" on the Commission president-designate, as well as the right to vote down the president and his chosen team later in the year.

Until yesterday, most observers compared rejection of the Commission president-designate to the equivalent of pressing a nuclear button. But more than half of the present parliament are new and determined to make their mark.

Many, such as Mr Michel Rocard, former French prime minister, or Mr Piet Dankert, former Dutch minister for European affairs, have no hesitation about lobbing political grenades. Others, such as Mr Bernard Tapie, the maverick businessman and leader of a new populist Socialist group in his native France, are natural performers.

Ms Pauline Green, the former British policewoman who now heads the powerful Socialist group, ridiculed the selection process. The European Union lectured the rest of the world on democratic rights, "but these same countries are willing to connive at some of the most squalid, shabby and ill-judged practices to put in place the president of the European Commission".

Many members argued that a vote for Mr Santer would be equivalent to condoning Mr Major's veto. Echoing widespread criticism of the UK Conservative government, Mr Rocard said British objections to Mr Dehaene had nothing to do with vital national interests and therefore amounted to an abuse of the power.

Mr Gerhard Schmid, head of the German Socialists, had no qualms about suggesting that Mr Santer simply lacked the stature and imagination for the top job in Brussels. Quoting the German philosopher Ernst Bloch, he declared: "We need a president who is prepared to dream about the future."

Mr De Vries wound up the debate by declaring that the selection process had been akin to a cattle-market; Mr Santer was the tenth choice; and he lacked the kind of inspirational leadership which Mr Delors had shown during his near 10 years in Brussels. "Jacques Santer will turn out to be more a man of the past than a man of the future," he said.

Yet other MEPs, particularly the tiny Luxembourg contingent and fellow Christian Democrats, sprang to Mr Santer's defence. They noted that he had been a top-notch prime minister of the Grand Duchy for 10 years, and that he had contributed effectively to both the Single European Act and the Maastricht treaty.

But it was Mr Kinkel, speaking for the German presidency, who made the most effective contribution. Germany, he said, had fought hard to expand the powers of the European parliament. Was the reward now to be a decision to torpedo the Commission president-designate, the unanimous choice of the 12 member state governments?

"Do you want to punish Europe, punish the people of Europe? Give Jacques Santer a chance," he declared.

His appeal succeeded, albeit narrowly and only after a bizarre alliance of forces came to Mr Santer's rescue. In the final count, the lucky Luxembourger needed support from the Spanish Socialists (who did not want to upset Prime Minister Felipe González) the Greek Socialists (who felt similarly about Mr Andreas Papandreou), and the neo-fascists in the parliament to squeeze out the 22-vote majority.

This ad hoc alliance underlines that the new parliament is likely to be unpredictable and not easily intimidated. The next few months will see further tests of strength with the Council, tempered only by the knowledge that parliaments need to show responsibility, too, if they are convince the outside world of their maturity

Pauline Green, Socialist group leader in the parliament, gestures to a colleague during debate AP

WHERE MR JACQUES SANTER STANDS ON THE UNION'S BURNING POLITICAL ISSUES

Will the real Jacques Santer please stand up? Those listening to the Luxembourg prime minister perform this week before the European parliament might easily find themselves confused about his political credo, particularly his views on economic and political integration in Europe, writes Lionel Barber.

In Britain, where the governing Conservative party risks splitting over this issue, the question is vital. Just where he stands – and how he differs from Mr Jacques Delors, outgoing Commission president – is of intense interest.

The question has taken on even greater importance since Mr Santer insists that he is no different from Mr Jean-Luc Dehaene, the Belgian prime minister and fellow Christian Democrat, who was vetoed by the British at last month's European summit in Corfu.

So here is a rough guide to Mr Santer's political views as revealed during statements and questioning during this week's inaugural session of the European parliament in Strasbourg.

□ Mr Santer supports federalism, but not on the "Napoleonic model" which means centralising power in Brussels. Like the British (and the Germans), he favours "subsidiarity", the principle of devolving decision-making to the lowest appropriate national, regional and local level.

□ Mr Santer shares the Anglo-German concern that some Euro-laws can damage the competitiveness of industry. He would like to continue auditing such legislation, though at national and European level. He also is an unabashed free-trader.

□ Mr Santer likes the Maastricht treaty's social chapter, unlike Mr John Major, who proclaimed Britain's non-participation as one of the triumphs of the Maastricht treaty negotiations.

□ Mr Santer is adamant that he will not use subsidiarity to roll back EU environmental laws, and he does not like the Maastricht treaty's innovation of opting out of treaty obligations affecting the rest of the EU.

□ Mr Santer supports strongly the idea of a single European currency complementing the single European market, but, in line with Germany, he insists that Maastricht's convergence criteria must be applied rigorously.

He refuses to be drawn on whether he is committed to loose governmental co-operation on foreign and security policy and judicial affairs, or whether he favours a deepening of co-operation through a community approach, perhaps by extending majority voting.

This will relieve Mr Major who is insistent on resisting efforts to streamline decision-making and weaken the power of national vetoes. But Mr Santer made clear, too, that he sees the Maastricht treaty's powers in common and security policy as "evolutionary".

EU debate simmers through summer

Hugh Carnegy on the issue which is disturbing Sweden's near sacred holiday season

EUROPEAN DIARY

It is July and it has been unexpectedly and gloriously hot. There has been a flurry of anxiety over the alarming state of the public finances, but not much else to disturb a nation that customarily takes to the water and the woods to make the best of an all-too-short summer.

Yet, even during the near-sacred July holiday, the Great Debate under way in Sweden over whether to vote in a referendum in November to join the European Union is never far away.

It is to be found high up in the Arctic circle, where the sun shines brightly at midnight, but where temperatures are not so hot. (The last day of the skiiing season at Riksgransen on the Norwegian border was June 26.) And it is to be found as far south as you can get, in Skane, where the rich, rolling farmland lies less than 20km across the Oresund from Denmark.

For Sweden, neutral throughout the century's great conflicts and once the proud pursuer of a middle way between Soviet socialism and flat-out capitalism, the decision whether to join the EU is a real watershed and is widely perceived as such.

At the risk of evoking stereotypes, Swedes are engaging in a national debate over the issue that is impressively earnest and far-reaching.

The referendum campaign has been somewhat confused by the campaign for the general election, which comes first, in September. But if anything, this has encouraged the two sides in the EU confrontation to get in extra campaigning during the summer, before the election campaign takes centre-stage.

The Swedish Federation of Industries and the Swedish Employers' Federation have, for example, joined forces to send out no fewer than 10 campaign buses across the country from May to July to get their pro-EU message across. Not to be outdone, the No to the EU campaign has chartered a boat to cruise among the harbours, islands and lakes where so many Swedes retreat for the holiday.

Early this month in the mining town of Kiruna, the country's most northerly city, one of the industry buses (actually a custom-built 40ft lorry trailer) pulled up for a couple of days in the main square.

> The decision whether to join the EU is a real watershed and is widely perceived as such

Equipped with a dizzying array of at least 50 different books, leaflets and information sheets, volunteers fanned out into the streets to look for converts in an area where the No camp is firmly in the ascendant.

Even among those who declare they have made up their minds, the willingness to come on to the trailer to discuss the issue is remarkable. On a sleepy Sunday in Kiruna 167 people stopped to take up the debate.

Their concerns range from the mainstream worry that Sweden will lose its independence by joining, through worries about the cost of membership to the fear – apparently widespread – that thousands of German hunters and tourists will trample the treasured Swedish countryside into mud.

"People are very open here, even though most of them are negative. They are prepared to discuss the issues," says Anne Flonneau, a Frenchwoman now living in Sweden who is in charge of the Kiruna truck. As if to prove her point, she launches into a lengthy argument with a local trade union leader who is strongly anti-EU.

She does not change his mind, but says: "What we don't want is people saying 'I don't know, so I'll vote No'. We want them to have the information." The cry "I need more information" is heard everywhere. Yet Swedes probably now have more information available to them explaining the issues than any Union citizen. Every public library is packed with EU material, there are government telephone hotlines and both sides in the debate are churning out enough propaganda to strip Sweden of its forests.

Still, there is little sign of Euro-indigestion. In Skanör, a seaside resort on the southern tip of Sweden, volunteers from another pro-EU industry bus set up at a funfare. They canvassed holidaymakers rushing to the alcohol monopoly to stock up on booze before it closed for the weekend. Nobody seemed to mind being interrupted.

Mr Roger Gustafsson, a self-employed businessman on holiday in the town, is inclined to vote No. But he eagerly took away a fistful of leaflets after a chat with one of the canvassers. "I am basically against the EU. We – you and I – will have nothing to say, the politicians will decide everything," he declares.

But he adds: "I could be persuaded to vote Yes – if I am sure Sweden will still be able to decide the things that are important for Sweden. I need more information. I've only just started to get the information."

EUROPEAN NEWS DIGEST

Astra faces EU ban on top drug

The German medicine institute, responsible for licensing drugs, has called for a EU-wide ban on the injectable version of Losec, the top-selling product of the Swedish pharmaceuticals group Astra. The EU's committee for proprietary medicinal products will meet on Monday in Brussels to discuss the issue. The German institute is concerned that Losec, an anti-ulcer medicine, could cause blindness in some cases when administered by injection. Between 40 and 50 incidents have been reported, according to Astra. Losec is the group's most important product and saw sales in all its versions last year of $1.7bn. Sales this year have increased by about 40 per cent, making it one of the world's fastest growing medicines. Astra's B shares fell SKr1 to SKr161 ($21) yesterday.

The German institute has questioned only the injectable version of Losec, not the pill form which represents about 97 per cent of all sales. However, intravenous versions account for a higher proportion of sales in Europe. Astra said it was looking forward to having the opportunity to defend the safety record of Losec, one of the most significant competitors to Glaxo's top-selling medicine Zantac. *Paul Abrahams, London*

Bosnia map approval retracted

The international peace plan for Bosnia disintegrated further yesterday when Bosnian Serb leaders failed to give their unconditional acceptance and the Bosnian president retracted his previous approval. Mr Radovan Karadzic, Bosnian Serb leader, left Geneva after the sponsors of the plan – the international "contact group" made up of the US, Russia, UK, France and Germany – refused further meetings with him, snubbing his attempt to renegotiate the plan before giving an answer to it. Meanwhile, in Sarajevo Mr Alija Izetbegovic, Bosnian president, withdrew his previous unconditional approval of the plan, saying that in view of the Serb rejection his government now wanted to add conditions of its own.

Before leaving Geneva the Bosnian Serb delegation released the text of the declaration on the plan adopted by their "parliament" on Tuesday. This requested more details on a range of issues, from constitutional arrangements to the lifting of sanctions, and added ominously that "further work is required on the proposed map". *Edward Mortimer, London*

Italian steel chief 'paid bribes'

Mr Alberto Falck, owner of the biggest family steel concern in Italy, is reported to have admitted paying L500m ($322,300) in bribes to members of the Guardia di Finanza, the financial police, to soften their controls of his group's balance sheet. The steel magnate is co-operating with magistrates following the issuing of an arrest warrant last week by Milan magistrates investigating alleged corruption in the Guardia di Finanza in Lombardy, according to Ansa, the national news agency. Mr Falck was one of 49 people issued with a warrant on charges of alleged corruption at the moment when the Italian government had approved the controversial decree, since revoked, limiting the use of preventive detention. He was placed under house arrest. His confession emerged as Milan magistrates resumed work this week in the wake of the Berlusconi's government's climb-down on the decree. *Robert Graham, Rome*

Polish TV licences awarded

Poland yesterday awarded the first 12 regional TV licences to NTP Plus, a Warsaw-based consortium led by Independent Polish Television (NTP) and Central European Media Enterprises (CME). NTP Plus will initially transmit programmes terrestrially to an area which includes Warsaw, the capital, and roughly one third of the Polish television audience. It plans to set up regional TV stations in Warsaw and three other cities with an investment of up to $50m. NTP is headed by Mr Miroslaw Chojecki, a Polish entrepreneur. CME is privately owned; its main shareholder is Mr Ronald Lauder, heir to the Estee Lauder cosmetics group fortune, backed by US and Canadian businessmen. Poland, with its population of 39m people, is the largest TV market in central Europe. *Anthony Robinson, London*

Eko Stahl sees August sale

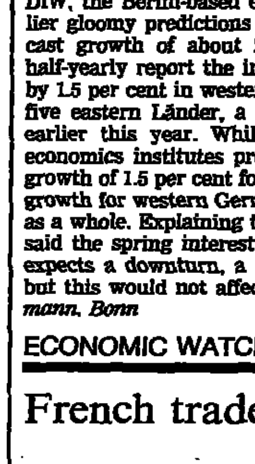
The Treuhand privatisation agency hopes to sell Eko Stahl, eastern Germany's loss-making steel mill, by the end of August to one of the five potential buyers that have shown interest since Riva, the Italian steel maker, pulled out of a deal two months ago. Mr Hans Krämer, a Treuhand board member, told employees at Eko Stahl, in the state of Brandenburg, that the agency would today approve a financing and investment package for the steel mill to see it through the second part of this year. The Treuhand has lined up five potential buyers. These include Cockerill Sambre, the Belgian-based steel producer, the Hegemann Group which is based in Bremen, a Hamburg consortium, and companies from Russia and Kazakhstan. *Judy Dempsey, Berlin*

DIW revises German forecast

DIW, the Berlin-based economics institute, cast aside its earlier gloomy predictions about the German economy and forecast growth of about 2 per cent for 1994 and 1995. In its half-yearly report the institute said the economy would grow by 1.5 per cent in western Germany and by 8.5 per cent in the five eastern Länder, a surprising turnaround from forecasts earlier this year. While five of the country's independent economics institutes presented their April reports predicting growth of 1.5 per cent for the year, the DIW had predicted zero growth for western Germany and 0.5 per cent for the economy as a whole. Explaining the revision of its figures, the institute said the spring interest rate cuts came as a surprise. It still expects a downturn, a so-called "double-dip", later this year but this would not affect the forecast growth. *Michael Lindemann, Bonn*

ECONOMIC WATCH

French trade surplus continues



France's external trading account continued to show a surplus during May of FFr7.5bn ($900m), according to the latest statistics from French customs. The May figure confirms the recent upward trend in the French economy and brings France's total trading surplus to FFr30.6bn for the first five months of 1994. This is in line with the government's forecasts for a target surplus of FFr100bn for the whole year. The buoyant trading account reflects a continuation of the strong export performance of French companies. The level of exports rose to FFr107.4bn in May against FFr104bn in April. However, import activity, which fell sharply last year when the recession began, is now returning to normal levels. The value of imports coming into France increased to FFr99.4m during May, its highest level since November 1992. *Alice Rawsthorn, Paris.*

■ Industrial production in the Netherlands rose 2.1 per cent in May from April, on a seasonally adjusted basis, the government Central Bureau for Statistics said yesterday. Seasonally adjusted industrial production was 2.6 per cent higher than in May 1993.

■ Italian consumer prices rose 0.2 per cent month on month and 3.5 per cent year on year in July, according to unofficial data from nine leading Italian cities excluding Rome, collated by the city of Bologna.

Ex-US Treasury secretary's company buys into bank

Brady investment in Peru

By Sally Bowen in Lima

A company formed by former US Treasury secretary Mr Nicholas Brady is to invest in Peru's commercial banking sector, rated a high risk while it awaits a Brady plan to reschedule its debt.

A dearth of foreign financing, while the plan is being negotiated, has kept local interest rates extremely high and commercial banking operations lucrative.

Through his private US company, Darby Overseas, Mr Brady is participating in a Cayman Islands-registered consortium which on Wednesday acquired one of Peru's two state-owned banks.

The consortium, International Financial Holdings (IFH), this week picked up Interbanc, Peru's fourth largest commercial bank, for $51m. IFH is pledging to spend $30m more on modernisation and capital expansion.

Brady: year-old company

The auction had been expected to attract five or six bids, with the government saying it wanted to attract a big international bank. However, the two front runners – Spain's Banco de Santander and Chile's Banco O'Higgins – dropped out late last week.

Sale day brought three bids, two of them from local groups, at or only marginally above the $45m base price, which banking experts had considered low.

Immediately after the sale, COPRI, the government privatisation commission, handed out a press release saying IFH had bought Interbanc, and giving details of IFH's shareholders. In addition to Darby Overseas, the consortium is reported to include Bechtel Enterprises, Shetland Securities, and shareholders linked to Chile's Banco Osorno and a private pension fund from Chile, Provida.

Under the bidding conditions, a bank had to participate or provide technical advice or assistance. Banco Osorno itself is not part of the consortium, but the involvement of some of its shareholders was considered sufficient.

Darby Overseas was set up a year ago by Mr Brady, his chief aide at the Treasury, Mr Hollis McLoughlin, and Mr Daniel Marx, Argentine finance undersecretary, who has since resigned to become managing director of Darby Overseas.

IFH's purchase will be largely financed through a $60m (£38.7m) private placement of notes, to be handled by Morgan Grenfell, acting as IFH's financial advisers. The notes will be convertible to Interbanc shares at the end of five years. Deutsche Bank is underwriting the issue.

The prime mover behind IFH, specially constituted to bid for Interbanc, is Mr Carlos Rodriguez Pastor, Peru's economy minister in the early 1980s. Mr Rodriguez Pastor has already participated in Peru's sweeping privatisation process: he has a stake in the Peruvian-Mexican consortium which bought Aeroperu, the former state-owned airline.

Ecuador parliament rejects telecom sale

By Raymond Colitt in Quito

The Ecuadorian government has suffered a severe blow to its privatisation programme with parliament's rejection of a bill to allow the sale of shares in the state telephone company, Emetel, which is worth an estimated $1.7bn (£1.1bn).

Opposition parties claimed the reform was unconstitutional since the constitution states that the telecommunications sector should be controlled by the state because of its strategic importance to the economy.

The opposition also objected to the government's decision to see the legislation through on the fast track, which, they said, allowed them insufficient time to analyse it.

However, the government argued that as long as the state was in regulatory control of the sector, the constitution allowed for private-sector operation of telecommunications.

The state modernisation body, Conam, insisted that reform efforts would continue despite the bill's defeat.

Ecuador's privatisation programme has been criticised for poor management and underpricing. However, the latest setback comes only a week after the successful sale of the country's second largest cement company, Cementos Selva Alegre, which had improved the programme's image.

The Spanish cement giant, Uniland, bought 51 per cent of the state's shares in Cementos Selva Alegre for $40m, on behalf of the consortium, Finlatam.

With only eight in 100 citizens having a telephone line, Ecuador has one of the most backward telecommunication systems in Latin America. The investment required to install 1m more telephone lines and improve the infrastructure is estimated at $1.4bn. Telephone lines go for as much as $1,000 on the black market.

US plans for spy chip abandoned

By Ken Warn in Washington

The Clinton administration has abandoned its effort to force the computer industry to introduce a semiconductor known as a clipper chip, which would have let intelligence services eavesdrop on the information superhighway.

The chip, developed by the National Security Agency, would have made it possible for users of personal computers to scramble or encrypt their communications, but would also have allowed law enforcement or security agencies to tap in.

The administration's change of mind emerged in a letter, released this week, from Vice President Al Gore to Representative Maria Cantwell, whose Washington state district is home to Microsoft computer software company, which vehemently opposed the clipper chip.

The chip remained the desired standard for telephone communications, Mr Gore's letter said, but not for computer exchanges. The administration would continue to work with the industry on a voluntary encryption standard, he said.

The policy shift "is a significant victory both for US software companies and the future of the global information superhighway", said Mr Robert Holleyman, Business Software Alliance president.

The industry has opposed both the clipper chip and curbs on exports of encryption programs, which the intelligence community claims hamper its security work overseas. Civil liberties groups said the chip violated privacy.

The security of the information superhighway is a growing issue in the US. Hackers have gained access to sensitive but unclassified government and military communications networks connected to the Internet, the New York Times reported yesterday.

Latin Americans rediscover their neighbours' markets

Companies are looking next door as protectionism gives way to competition, writes Angus Foster

THE NEW ECONOMIC ORDER

Latin American countries, for decades forced by trade barriers to look beyond their neighbours, are rediscovering one another's markets. Protectionism is slowly being replaced by competition and governments are withdrawing from economies. As a result, big private companies are starting to think of the region when they make their plans.

Brahma, Latin America's biggest brewer, is expanding beyond Brazil, where it has a 50 per cent market share. A factory opens in Argentina in January to serve southern countries such as Argentina and Chile. Earlier this year Brahma bought Venezuela's second-largest brewer, Cervecera Nacional, which will give access to important northern markets such as Colombia.

Mr Marcel Herrmann Telles, Brahma's chief executive, says the company will move into other countries in the continent once it has built up sales through exports.

"The idea is for Brahma to become the brand name for all of Latin America," he says.

The shift towards regional rather than national thinking has two main motors. First, regional trade groupings are leading to closer cross-border ties. Second, increasing personal wealth is improving cultural links via television and foreign holidays for the middle classes.

Mercosur, the most important trade grouping to have developed so far, has led to rapid increases in cross-border trade and investment among its four members, Brazil, Argentina, Paraguay and Uruguay. Trade between the four countries has more than doubled since the agreement was signed in 1991 and reached about $8bn last year as tariffs have been reduced.

Mercosur's success has had a marked impact on exporters in Brazil, Latin America's biggest economy, who have traditionally relied on US and European markets. Exports to Mercosur partners, which accounted for 4 per cent of Brazil's total exports in 1990, reached 14 per cent of the total last year. The proportion of exports to the US and European Union, meanwhile, have fallen from 24 to 21 per cent and 31 to 26 per cent.

Brahma's expansion into Argentina has been helped by Mercosur, especially because of reduced bureaucracy and customs procedures. But the company's overseas push was at first prompted by some very Brazilian circumstances.

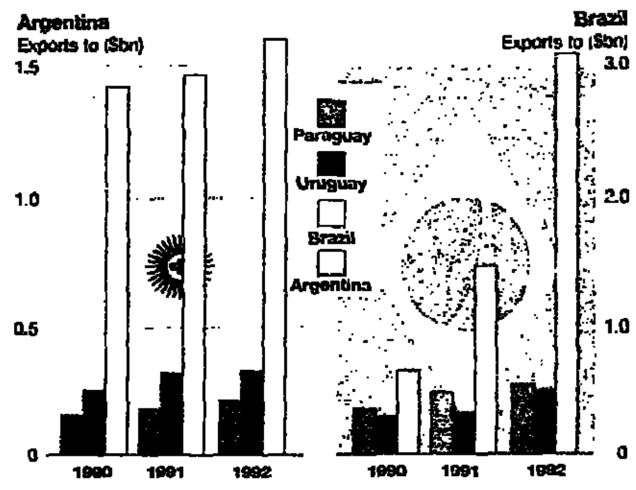
Until recently Brazil's government set price ceilings on beer, which limited the company's profits and investment. The removal of price controls in 1990, one of a number of measures adopted by former president Fernando Collor to liberalise Brazil's markets, allowed Brahma to restore profitability. But it coincided with a steep recession, which lasted until last year and led to declining beer sales.

"We therefore had the time and the resources to look at the rest of the world," says Mr Telles. "We thought our competitive advantage lay in Latin America where the Brahma name had resonance, so we started exporting to Argentina."

Brahma started selling canned beer to Argentina in 1990. Two years later it switched to exporting 1-litre returnable bottles, a system described as "logistically almost impossible" by Mr Telles and which involves the return to Brazil of lorry loads of empty beer bottles. Even so, Brahma claims a 7 per cent share of the Argentine market, which it hopes to increase once the new brewery opens.

Mr Telles says Brahma's expansion makes sense because of a similarity among the region's beer markets. With the exception of Brazil, where three brewers are in often vicious competition, the main markets are dominated by near monopolies. These companies often owe their pre-eminence to government backing and a traditional lack of concern for competition. They include Quilmes, which has more than 60 per cent of the Argentine market, and Empresas Polar in Venezuela with a 90 per cent market share.

Selling closer to home



Source: IMF

Brahma believes it can compete because consumers and distributors increasingly want competition to improve the quality and range of products.

Governments are also less interested in blocking competition to defend national companies. Argentina, which has been opening its economy since 1991, has not reacted against Brahma's gain in market share, says Mr Telles. This is probably also because Argentina's beer market has grown rapidly, so that domestic brewers have not lost sales.

"There is a process of opening, both commercial and cultural, going on in Latin America. Certainly a few years ago it would not have been possible," says Mr Telles.

Further progress may be erratic. While there are similarities between markets, there are also huge differences. Venezuelans like to drink beer on the streets and in small bottles, the latter so that it does not warm up too quickly in the heat. Argentines prefer to drink from larger bottles at home, and increasingly buy their beer in supermarkets rather than bars.

"It's no good trying to use a standard formula for these markets, neither in terms of taste, packaging or distribution," Mr Telles says.

In spite of the growing trade links, a single regional grouping still looks a long way off. Brazil's still uncompetitive economy is likely to delay the other Mercosur countries, which are obliged to negotiate trade treaties collectively, from linking with the US and Mexico in the North American Free Trade Association.

Countries such as Chile may be candidates to join both groups. But other countries, such as Colombia and Venezuela, appear ready to join neither.

Instead, a series of sometimes inter-linked free trade areas and bilateral trade treaties, several of which exist, are likely to continue. These could slow further tariff reductions and cross-border competition between areas, forcing companies to think in terms of interlinked sub-regions.

This article is the sixth in a series on the recovery in Latin America. Previous articles appeared on June 24 and 30, and July 5, 12 and 15

Israel closer to giving up Golan

Syria given strong signals of a 'deep and painful' withdrawal as Christopher heads for Damascus

By Julian Ozanne in Jerusalem

Israel yesterday sent further strong signals to Syria that it was preparing Israeli public opinion for returning the occupied Golan Heights, as Mr Warren Christopher, US secretary of state, prepared to fly to Damascus during his current Middle East mission.

Mr Yossi Sarid, the Israeli environment minister, who has played an important role in Arab-Israeli peace talks, said the Jewish state would have to make a "deep and painful" withdrawal from the Golan in return for security, peace and normal relations.

Mr Sarid also said he believed an Israeli-Syrian declaration of principles for peace would be concluded this year.

Mr Sarid's comments underlined the shift in Israel's position since Mr Shimon Peres, Israeli foreign minister, said last week Israel now recognised Syrian sovereignty over the entire strategic heights.

Mr Peres also referred to a 1967 secret cabinet resolution calling for negotiations with Syria on the basis of the international border of 1967.

Until last week Israel had refused to commit itself in public to a full withdrawal from all the Golan land seized in the 1967 Arab-Israeli War, although privately many senior politicians have said they fully understand that President Hafez al-Assad of Syria would not settle for anything less.

Several Labour party politicians close to Mr Peres are now seeking to annul the 1981 law which annexed the Golan Heights.

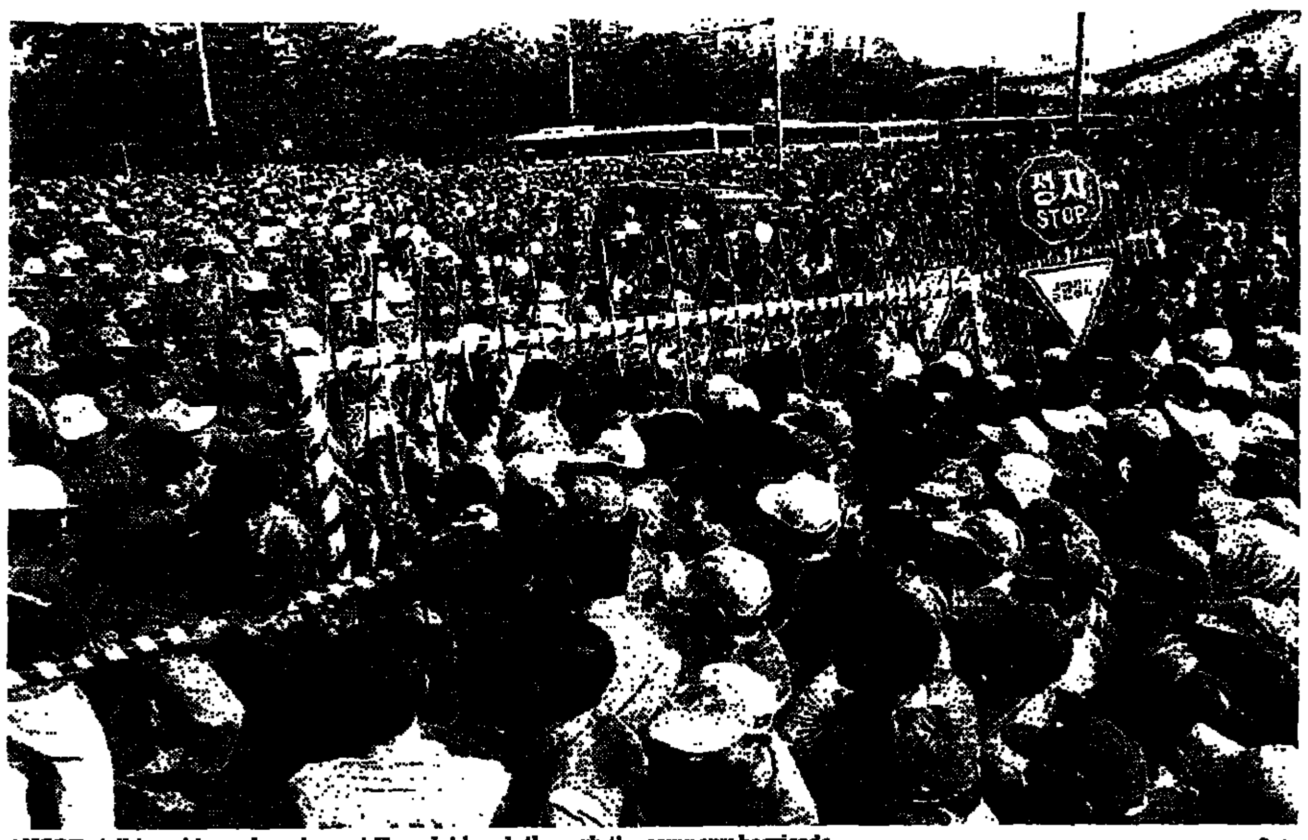
Mr Peres sought to reinforce overtures to Damascus yesterday during a trip to Cairo to brief President Hosni Mubarak of Egypt on recent peace developments. "It is essential for Israel to have peace with Syria... We cannot leave any open wounds," he said. "The peace process will be completed when it will be full and comprehensive."

Mr Christopher yesterday met Mr Yassir Arafat, Chairman of the PLO, in Gaza to stress the importance of transparency and accountability in the release of hundreds of millions of dollars of aid to the embryonic Palestinian self-rule authority.

Mr Christopher's visit has been marked by a flurry of Arab-Israeli diplomacy, with meetings between Israel and Jordan before the summit on Monday in Washington between King Hussein of Jordan and Mr Yitzhak Rabin, Israeli prime minister.

The Israeli-Jordanian meetings decided continuous bilateral negotiations over borders, water and security in Jordan and in Israel; monthly summits at foreign minister level; accelerated joint economic projects ahead of a formal peace treaty and an undertaking by Jordan to prepare for the suspension of the boycott of Israeli goods and companies.

A Riviera to replace the razor wire, Page 6



ANGRY striking shipyard workers at Hyundai break through the company barricade Reuter

S Korea shipyard violence

Striking shipyard workers scuffled with security guards yesterday as a dispute at South Korea's largest shipbuilder, Hyundai Heavy Industries, boiled over into violence, Reuter reports from Seoul.

Witnesses said 3,000 workers and security guards tussled near the main gate of Hyundai Heavy's shipyard as the strikers tried to break barricades to enter the yard in the southeastern city of Ulsan.

There were injuries on both sides, the witnesses said.

The government is expected to invoke emergency powers to settle the labour dispute over wages and a demand for a say in management of the company, a unit of the mammoth Hyundai Group, a labour ministry official said. The strike has lost the company $211m in sales.

Standard Chartered to continue to investigate alleged payments

Coin was passed on to consultant

By Robert Peston in London and Christine Hill in Kuala Lumpur

A $10,000 gold coin which Standard Chartered gave to a Malaysian former deputy finance minister disappeared after he had passed it on to a Malaysian-based consultant, the international bank said yesterday.

Standard Chartered has been investigating the disappearance of the coin as part of its probe into allegations that employees of its Mocatta gold trading division may have made payments to officials in the Philippines and Malaysia to win business.

The bank said yesterday that in 1991 it had given the coin to Mr Abdul Ghani Othman, the then deputy finance minister who is now Malaysia's youth and sport minister. He had been given the coin as a "sample", during discussions with Mocatta on whether Malaysia should impose a 10 per cent tax on gold imports, according to a Standard Chartered banker.

At the time, the bank was considering setting up a bonded warehouse for gold in Malaysia. Mr Abdul said that during the meeting with Mocatta he had been shown a sample of gold coin which was to be used to ascertain whether it was legal tender or gold bullion. "If the gold coin was considered legal tender, then it should not be taxed."

On Tuesday, the Financial Times disclosed that the coin had disappeared. Standard Chartered has now been told by Mr Abdul Ghani that he returned it to Dr Stephen Goh, who was a consultant to Mocatta based in Kuala Lumpur. Mr Goh has told Standard Chartered that he misplaced the coin. Standard Chartered said Mr Goh had recompensed the bank for it.

"That is the end of the matter," Standard Chartered said yesterday. However, the bank is continuing to investigate other alleged payments by Mocatta employees to officials in the Asia Pacific region.

Dr Mahathir Mohamad, Malaysia's prime minister, said yesterday Standard Chartered had a right to investigate the matter, and that his government would not comment until the investigation was completed.

The disclosure of Standard's investigation into the disappearance of the coin came at a sensitive time for Anglo-Malaysian trade relations. The UK foreign office is hopeful that Malaysia will soon lift a ban on UK participation in Malaysian government contracts, which was imposed in February because of Malaysian fury with British press reports of the Pergau Dam alleged arms-for-aid deal and allegations of bribes offered to Malaysian politicians.

Mr Abdul said it had been "presumptuous on the part of the British media to say that a Malaysian minister could be bought with one gold coin."

Two sentenced in Japan bribe case

A Japanese court gave two former officials of a construction company suspended prison terms yesterday for bribing a regional governor to win a contract, Reuter reports from Tokyo.

The Tokyo district court verdict was the first conviction of executives in a string of construction scandals. More than a dozen officials from various companies and several local government leaders have been arrested on suspicion of corruption since last year.

The Tobishima executives were found guilty of handing Y10m ($101,300) to Fujio Takeuchi, then governor of Ibaraki Prefecture, at a Tokyo restaurant on January 25, 1991.

The money was in return for Takeuchi granting Tobishima part of a Y38bn dam project at Oyama near Tokyo, the court said.

Sukemasa Uera, 86, former honourary chairman of Tobishima, was given a suspended prison term of two years. His son Soichiro Uera, 59, former vice-president, was sentenced to one year and six months, also suspended.

Presiding Judge Kenjiro Tao said their criminal liability was serious, given the effects of their action on society. But he said the sentences were suspended because the two men had repented.

Mr Takeuchi, 76, is being tried separately.

Household spending may rise

By William Dawkins in Tokyo

Japanese households spent less in May for the fourth consecutive month, but a surge in sales of beer and air conditioners due to an unusually hot summer may revive consumption. The latest household survey by the government's management and co-ordination agency shows a 1.7 per cent drop in consumer spending in the year to May, to an average of Y316,080 (£2,060) per household.

Household spending rose for four months until February, but then moved into reverse in line with increased weakening in the labour market.

Police escort Maman Suparman from a Jakarta court after he was sentenced yesterday AP

Nigeria moves closer to deal with oil strikers

By Paul Adams in Lagos

Nigeria's military government appears ready to seek a compromise on the industrial and pay demands of striking oil workers if they drop their political demands and return to work.

In a meeting in Lagos scheduled for today, Mr Umaru Baba, the junior oil minister, will meet representatives of both the main unions and the operating companies.

The government hopes that by satisfying the unions' economic and industrial demands, they will end their two-week strike and await a solution to the political crisis.

There were signs at a meeting with the government and employers on Wednesday that the junior workers union, Nupeng, was willing to end the strike in return for settlement of two pay disputes with employers, information on the whereabouts of their general secretary Mr Frank Kokori, and assurances that the government will restore oil industry investment and move quickly towards democratic rule.

Nupeng provisionally agreed to pay offers on Wednesday. The union, whose members have received no pay since the strike began, appeared to soften their stance and said they would consider returning to work if the oil companies attended today's meeting and confirmed that government was increasing investment.

The senior staff association, Pengassan, said yesterday it would attend the meeting if invited but would not compromise on either its political or economic demands. Pengassan insisted that the dispute could be resolved only by meeting the head of state, General Sani Abacha.

The strikers are demanding that the military leave government and make way for Mr Moshood Abiola, widely regarded as the winner of last year's annulled presidential election, who is in prison facing treason charges for declaring himself president last month. Mr Abiola's trial is due to start on July 28 in Abuja.

The strikers are also protesting against the government's under-investment in the oil industry, which has led to payment arrears to the multinational oil companies in Nigeria of about $700m throughout this year, plunging the industry into recession.

The oil companies operate joint ventures, which are 60 per cent owned by the government. They have sharply reduced development and exploration and, until the strike, were investing only in activities essential to production.

UN lawyers take steps to set up criminal court

By Frances Williams in Geneva

The first step towards establishing an international criminal court to try such crimes as genocide, war crimes, terrorist acts and drug trafficking was taken yesterday, with the adoption of the court's draft statutes by the United Nations International Law Commission.

Mr James Crawford, an Australian lawyer who chaired negotiations on the statutes, said such a court would avoid the "second-class justice" of *ad hoc* tribunals set up after crimes have been committed and before charges against individuals have been brought.

The UN Security Council last year set up a war crimes tribunal for former Yugoslavia and a similar tribunal has been proposed to try perpetrators of genocide in Rwanda.

The court's statutes are due to be debated by the UN General Assembly later this year. If approved, the way would be clear for negotiations to put them into international treaty form. Among crimes over which the court would have jurisdiction are genocide, aggression by one state against another, crimes against humanity and violation of Geneva Conventions on conduct in wartime.

It would also try "exceptionally serious crimes of international concern" involving breaches of international treaties that outlaw torture, apartheid, hijacking and hostage-taking, and other internationally recognised crimes such as drug trafficking.

Plan to deal with genocide, war crimes, terrorism and drugs

Mr Crawford said the court could have jurisdiction over such cases as the Lockerbie airliner bombing. Libya has so far refused a Security Council demand for the accused to be extradited to stand trial, on the grounds they would not get a fair hearing.

But except for genocide and cases initiated by the Security Council, the court could try suspects only if the country holding them and the country where the crime was committed agreed that it should.

Mr Vladen Vereshchetin, Russian chairman of the commission, stressed yesterday the court was intended to complement national justice systems and to act in cases where national procedures were not available or effective.

Under the draft statutes, the court could issue warrants for arrest and detention of suspects. They would have the right to silence, the right not to incriminate themselves and the right to a public trial with legal defence of their choice.

If they are found guilty, the court could impose a prison term or a fine, but not the death penalty. Prisoners would serve sentences in a designated country.

The court would have its own independent prosecutor and consist of 18 judges elected by treaty members, with a seven-person appeals chamber. Five judges would be selected to hear each trial.

Manager gets 9 years in $448m Indonesian fraud

An Indonesian court sentenced a former bank manager to nine years in prison yesterday in a loan fraud case that has cost a state bank more than $448m, AP reports from Jakarta. Meanwhile, the prosecution demanded life imprisonment for the Chinese businessman whose company took out the loan from the state-owned Bank Pembangunan Indonesia.

Questions have also been raised about the roles of senior officials including President Suharto's chief adviser, but they are not on trial.

Mr Maman Suparman, 48, former manager of the bank's South Jakarta branch, was found guilty of receiving a 256m rupiah ($119,069) bribe from businessman Mr Eddy Tanzil and illegally converting documents to help him obtain the loan and use it improperly.

The South Jakarta District Court also fined Mr Suparman 15m rupiahs and ordered that his house and land be confiscated.

His lawyers said they would appeal.

"There was no evidence found during the trial that Suparman has received bribery in connection with the loan," said Mr Danny Kaliamang, who led a six-member defence team.

The prosecution had demanded a 13-year sentence for Suparman, the first person to be tried in the case. At the Central Jakarta District Court, Mr Hamid Bachmid, the prosecutor, demanded life imprisonment for Tanzil, who obtained a $430m loan in 1991 for his Golden Key Group for a petrochemical plant.

Mr Bachmid said the loan was not used as intended, causing a loss to the state of $448.8m, including unpaid interest. Also on trial is Mr Towil Haryoto, a former president director of the bank. Two other directors are awaiting trial.

Simon Holberton on monetary developments on the eve of a debt issue that matures after the handover

Hong Kong and Beijing let money do the talking

Mr Joseph Yam, governor of the Hong Kong Monetary Authority, the colony's central bank, pores over a chart showing the yields on Hong Kong government bonds compared with other borrowers.

What they tell him is that whereas the yields on Hong Kong government debt of less than three years' maturity are lower than, say US government paper, yields on Hong Kong paper maturing after three years are higher.

"I suppose there is concern about inflation, the outlook for interest rates and some residual worries with politics and policies," says Mr Yam.

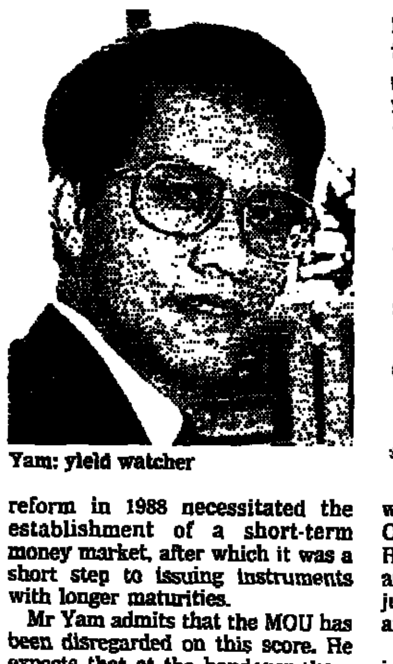
On Monday investors will be tendering for another HK$500m (£41m) of the authority's bonds. What make these of special interest is that they mature nearly a month after China resumes sovereignty over Hong Kong on July 1, 1997.

As such, they, and the ones to follow, will become a bellwether of investor confidence in the colony, along with its more visible stock market. If the issue on Monday goes well, the authority plans to introduce a five-year bond later in the year.

Hong Kong's government debt market is just four years old and already dwarfs the colony's stock market. There are HK$43bn bonds in issue, but turnover approaches HK$20bn on most days. This compares with a stock market at its most active of around HK$8bn a day and currently languishing around HK$3bn a day.

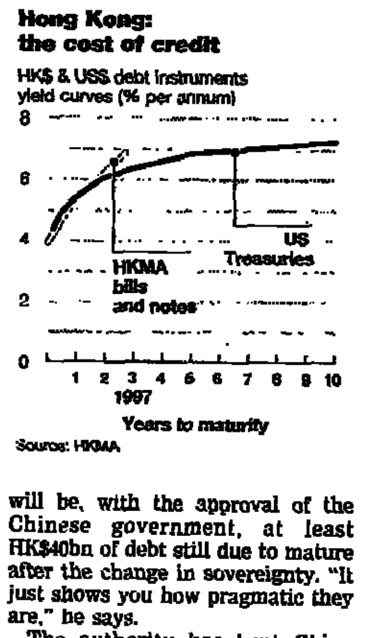
That this activity occurs at all seems to defy economic and diplomatic logic. The Hong Kong government has no fiscal need to borrow: its budget has been in surplus for as long as most can remember. Moreover, in the Sino-British memorandum of understanding (MOU) which paved the way for Hong Kong to build a new airport the colonial government was limited to borrowing no more than HK$5bn.

The logic that has been at work is the logic of the markets. Monetary reform in 1988 necessitated the establishment of a short-term money market, after which it was a short step to issuing instruments with longer maturities.



Yam: yield watcher

Hong Kong: the cost of credit



Source: HKMA

Mr Yam admits that the MOU has been disregarded on this score. He expects that at the handover there will be, with the approval of the Chinese government, at least HK$40bn of debt still due to mature after the change in sovereignty. "It just shows you how pragmatic they are," he says.

The authority has kept China informed of its plans every step of the way and because of that it has won Beijing's support for the continuation of the borrowing programme after 1997.

"This is not political reform but monetary reform and both sides recognised that there was no problem. On the monetary side the scope for differences of opinion is very small. Stability and prosperity is the aim and monetary stability will contribute to it," says Mr Yam.

He says he had qualms about the government borrowing when it was first mooted five years ago, but he recognised that changes to the regulation of banks made borrowing necessary. In 1988 the government took responsibility for influencing the level of interest rates in the inter-bank money market, hence the introduction of short-term money market bills.

After that it was just a matter of time before instruments with longer maturities were issued. As the market has grown, so too has the sophistication of the authority's role in Hong Kong's money market.

Last year it introduced a "discount window" at which banks are able to make good short-term cash deficiencies by selling a portion of their Hong Kong government debt portfolios. Moreover, as the authority has issued longer-term bonds, a retail investor market has developed.

No matter how good the authority's relations with Beijing, China nonetheless presents special problems for an institution trying to establish Hong Kong's separate identity in the world of international finance.

For one, there is Hong Kong's credit rating after 1997. Mr Yam lists a string of arguments why Hong Kong should be treated differently from the mainland, not the least being its guarantee of autonomy in financial affairs. But he is having a difficult time persuading the credit rating agencies.

Another issue is the ownership by mainland interests of a large part of Hong Kong's money supply. Already more than 20 per cent of the colony's physical stock of notes circulates in southern China.

Mr Yam's main concern, however, is the HK$48bn (as of April) of Hong Kong dollars deposited in the colony's banks by mainland banks. A rapid conversion of this money to US dollars could put a large strain on the HK dollar's link with the US currency.

"Who controls this money is of interest to us," he says with some understatement. "If it's by individuals then I'm not worried. But if it is by the centre [Chinese government] then, for policy reasons, they may want to control it."

If that were the case, then Hong Kong's promised financial autonomy would be in jeopardy. On balance, however, Mr Yam does not believe these funds are within the control of the Chinese government – "I think it's a reflection of economics rather than political activity" – but for a man whose prime task is the preservation of currency stability he maintains a watchful eye on the money flows.

Japan puts conditions on backing Taiwan's bid to join Gatt

By Laura Tyson in Taipei

Taiwan's trade negotiators yesterday met their Japanese counterparts in Tokyo to seek Japan's support for Taipei's bid to join the General Agreement on Tariffs and Trade. During the talks, Japan requested concessions and set conditions which Taiwan said could aggravate Taipei's growing trade deficit with Japan.

Japan insisted on three conditions for granting its support to Taiwan's Gatt entry bid, according to local newspaper reports.

Japan urged Taiwan to: eliminate restrictions on imports of Japanese cars and locomotives; amend regulations favouring European and American companies in government and state enterprise purchasing and in the awarding of major infrastructure contracts; and lower tariffs and import restrictions on manufactured industrial products.

Taiwan has drawn up a five-year plan to curb its trade deficit with Japan, economics minister Mr Chiang Pin-kung said yesterday. Under the plan, the government will promote Taiwanese products and sales in Japan and cut imports of Japanese products by obtaining the technology and capital needed to manufacture products locally.

Mr Chiang said he would raise the issue of Taiwan's deficit during a ministerial meeting of the Asia-Pacific Economic Co-operation (Apec) forum scheduled for October in Osaka.

"We need co-operative measures from both the government and the private sector in Japan such as tariff cuts and support for Taiwan's industrial upgrading," Mr Chiang said.

The bilateral trade deficit was $14.42bn (£9.3bn) in 1993 and is forecast to top $16bn this year.

Taiwan has said it wants to join Gatt by the end of this year in order to become a founding member of the World Trade Organisation which supersedes Gatt on January 1.

Julian Ozanne on plans for a Jordan-Israel-Egypt tourist triangle on the Gulf of Aqaba

A Riviera to replace the razor wire

The mayor of Eilat, Mr Gabi Kadosh, points to architects' plans, aerial photographs and drawings of multi-million-dollar projects adorning his office.

There is a polo club, a sports centre, hotels, marinas, artificial lagoons and a regional tourism university. But the drawing that most inspires Mr Kadosh is of a residential development around lagoons and canals straddling the Israeli-Jordanian border, now the site of land mines and coils of razor wire.

Israelis hope one of the quickest changes to follow the historic summit between King Hussein of Jordan and Israeli prime minister Yitzhak Rabin in Washington on Monday will be opening of borders, boosting tourism and trade and paving the way to regional co-operation and joint planning.

Nobody wants these changes more than the tourism and municipal officials in Eilat, where there are grand dreams of building a Red Sea tourism triangle between Eilat, the Jordanian port of Aqaba and the tiny Egyptian resort of Taba. In their enthusiasm, officials say they envisage a "Middle East Riviera" in the desert which will also operate as a free trade zone.

Some of the grandiose projects, such as a desalination plant, may remain on the drawing board for a long time. But opening the border and funding limited infrastructure projects is certain to fuel an investment boom in the Gulf of Aqaba, where Mr Kadosh says Israel and private companies are already investing $500m (£322m) this year in infrastructure, new hotels and tourist facilities.

Among the most attractive projects to both sides are a paved 14km Taba-Eilat-Aqaba promenade snaking around the Gulf of Aqaba, shared use of airports, ports and roads, joint management of water, waste and sewage and co-operation to combat industrial pollution and preserve the delicate marine environment.

"The only way to survive in the world today is to be part of something bigger and to co-operate with your neighbours," says Mr Dov Sharf, the town clerk. "Both sides have to be satisfied. We can help the Jordanians a lot and they can help us."

An obvious example is shared use of airports. Eilat, which receives at least 500,000 visitors a year, has a small airport which cuts the town in half and cannot receive jumbo jets. The town would like to close the airport or shorten it for internal flights only, and use the large Jordanian airport at Aqaba, which operates at 10 per cent capacity, for charters and international flights.

The municipality has developed a proposal for a separate exit terminal for Eilat from the Aqaba airport, similar to the separate exits at Basle airport to France and Switzerland. Under this arrangement Israel would pay Jordan for airport services.

Co-ordination in pollution, environmental production and town planning is also vital in an area short of land and developing rapidly.

Two projects are almost certain to be among the first in the wake of the summit in Washington – a $450m toll road linking Egypt to Jordan via Israel and the phased opening of the border, first to foreign tourists and then to Israelis and Jordanians.

The road has been planned for more than a decade but has been held up pending progress in peace talks. Israel wants to construct a 14km tunnel from Ras el Naqeb in Egypt to Ein Evrona, 17km north of Eilat on the Israeli-Jordanian border. Such a tunnel would avoid traffic congestion in Eilat and lessen security and customs difficulties for transit traffic. Trucks and buses destined for Jordan and Saudi Arabia would have a fast channel.

The road would link, for the first time, Jordan and Saudi Arabia with North Africa for cargo and commerce. Israel hopes much of the money would come from foreign private investors and would like Saudi Arabia to participate.

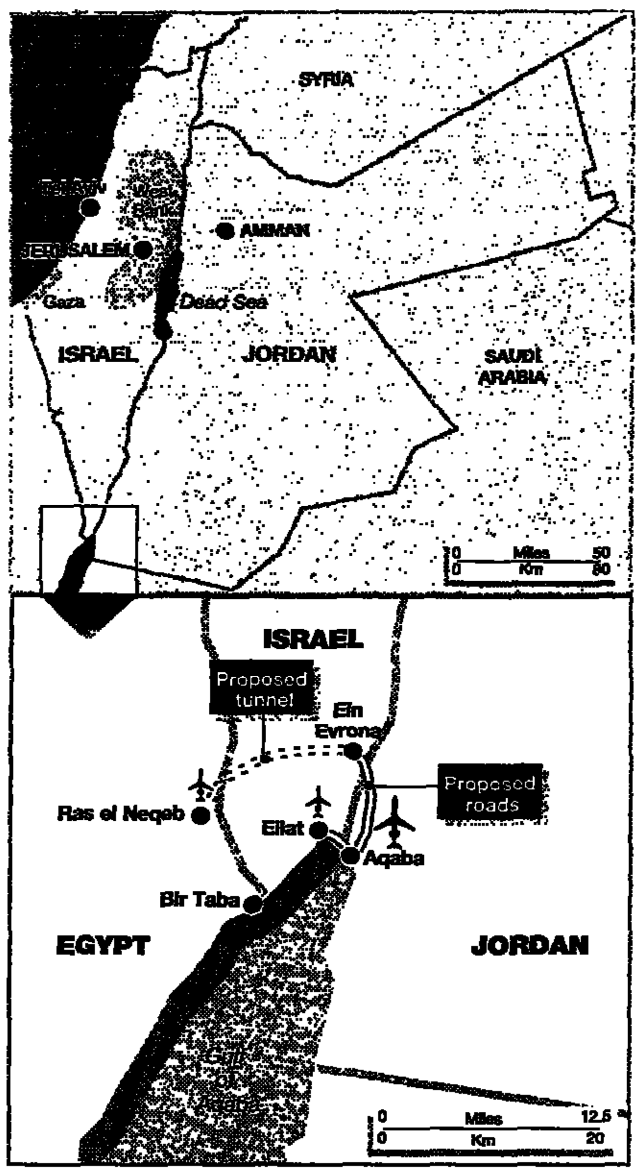
Much of the traffic on the road would be North African pilgrims to Mecca who now have to take the ferry from Nuweiba, in the Egyptian Sinai, to Aqaba. At the height of the annual pilgrimage, at least 4,000 people are ferried across the Red Sea every day.

Opening the borders to tourism is also a easy first step with obvious economic benefits. Once foreign tourists can cross between Eilat and Aqaba, the two countries can market combination packages and develop joint promotion campaigns overseas with a "peace" package which might include the Red Sea, Jerusalem, Petra, the Dead Sea, Wadi Rum and the Negev desert for the price of one air ticket. With Egypt in a regional tourism association, Cairo, Luxor and Aswan would all be reachable.

The tourist boom is already unfolding in Eilat. The $90m, 370-room Royal Beach Hotel, part of the Isrotel chain, has just opened. At least eight hotels are under construction to join the existing 43 hotels with an average occupancy last year of 85 per cent. The tourism ministry says Eilat will double its hotel rooms to 12,000 within five years.

In October, the city will open a $5m artificial lagoon development on the north beach and break ground on a $6m regional tourist management university and a $5.5m sports centre which it hopes will attract international teams from Europe seeking a warm winter training location.

Government and municipal development, combined with the prospect of an opening of the Israeli-Jordanian border, will fuel further private-sector investment. The biggest Israeli development will be in the Timna Valley, site of ancient copper mines, 28km north of Eilat. Mr Sol Kerzner, the South African hotel tycoon, has proposed to build a $450m Holy Land "Sun City" if the government grants him a concession for a complex of casinos, at present banned in Israel. A French consortium has also tabled plans for a massive resort development, as has a sister company of Disneyland.



US renews pressure on China over intellectual piracy

By Jeremy Kahn in Washington and Guy de Jonquières in London

The US yesterday renewed pressure on Beijing to open its markets and stamp out technological piracy, ahead of a General Agreement on Tariffs and Trade meeting next week which is due to discuss the terms on which China would re-join the body.

Ms Charlene Barshefsky, deputy US trade representative, said in Beijing that China must open its markets wider to US services industries, notably insurance and telecommunications.

The US is also demanding that China crack down on abuse of intellectual property rights, which US industries say currently costs them almost $1bn (£600m) annually.

Ms Barshefsky, who is in Beijing for negotiations with Ms Wu Yi, China's foreign trade minister, is pressing China to close 26 factories which the US says are using pirated technology to produce compact discs for export.

US officials have been concerned by the discovery of discs throughout south-east Asia and in Canada. The factories can make up to 75m discs a year, Ms Barshefsky said.

The US government last month gave China six months to enforce laws to protect intellectual property such as trademarks and copyrights. Without improvement, China faces US trade sanctions on $800m worth of exports.

Ms Barshefsky said her talks with Ms Wu were "constructive," though progress in opening up China to foreign goods was progressing slowly.

This week – after weeks of delay – the first shipment of US apples arrived in Shanghai. Though Ms Barshefsky was pleased China was accepting more foreign agricultural goods, she said it was "unacceptable" that China was importing apples from only one US state, Washington.

Ms Barshefsky also criticised recent statements by China that it plans to offer a "final" set of concessions, which were not open to further negotiation, at next week's talks in Geneva on its application to re-join Gatt. She said Beijing's approach was "not productive" and "a recipe designed not to reach agreement".

● AP adds from Beijing: The Chinese cabinet has responded to US pressure by agreeing to meet regularly to discuss intellectual property right infringements, an official newspaper said yesterday.

The China Daily said the cabinet aimed to draw attention to infringements and had called on state-run media to highlight them.

Daewoo wins $208m water supply order in Libya

Daewoo of South Korea yesterday said it had won a $208m (£134m) contract from the city of Benghazi in Libya to undertake water supply, sewage and drainage works and lay pipes to absorb rain in the city's Slawi area, AP-DJ reports from Seoul.

Separately, Daewoo Corporation, the trading arm of the conglomerate, said it had won a $30m order from Malaysia's real estate developer, Selangor Dredging group, to build a 27-storey building complex.

Alcatel in China

Alcatel Australia, a unit of Alcatel Alsthom of France, has signed contracts valued at A$56m (£26.6m) to provide telecommunications equipment to China, AP-DJ reports from Canberra.

The company will supply and install digital switching exchanges to the autonomous regions of Tibet and Ningxia and the province of Gansu.

Thai steel move wait

The Thai government is considering allowing more hot and cold-rolled coil steel makers into Thailand, despite an agreement to preserve Sahaviriya Steel Industries' monopoly until 1999, AP-DJ reports from Bangkok.

The Thai Board of Investment was supposed to have decided this week whether to rescind Sahaviriya's protection, but it deferred the decision until next month.

Toshiba venture

Toshiba Battery, a unit of Toshiba Corporation, plans to start producing nickel-metal hydride rechargeable batteries in the US with Duracell International of the US and Varta of Germany, Reuter reports from Tokyo.

The three companies will form a joint venture in the US at the end of 1994, or at the beginning of 1995, and plan to start producing batteries by the end of 1996. A total investment of about Y10bn (£65m) will be necessary to start production, Toshiba said.

Heseltine hails record inward investment jobs

By Andrew Baxter and Gillian Tett

Overseas companies created a record 28,727 new jobs in the UK last year through inward investment projects, and helped safeguard a further 67,372 jobs, said Mr Michael Heseltine, trade and industry secretary, yesterday.

The new jobs total is up 40 per cent on 1992/3, while the number of inward investment projects – new or expanded operations and acquisitions – rose 25 per cent to a record 404, according to the annual report of the Invest in Britain Bureau.

The report was viewed by the government as further confirmation that the UK welcomes more overseas companies than any other country in Europe, in spite of increasing competition from the rest of the European Union.

The total number of jobs created or safeguarded by inward investment was 96,099, up sharply from 59,271 in the previous year. But officials pointed out that about 30,000 of the 67,372 saved jobs were linked to BMW's takeover of Rover.

The report says foreign owned enterprises now account for 17 per cent of all UK manufacturing jobs, 23 per cent of net output and 33 per cent of net capital spending.

Among new investments in 1993 was the £15m being spent by Fujitsu Fulcrum Communications, which makes fibre-optics equipment, on a European headquarters at Birmingham Business Park; and a £3.5m European headquarters at Gillingham Business Park for Hochiki, a Japanese producer of fire detection systems.

Nearly half or 183 of the 404 investment projects were made by US companies, up from 126 in the previous year. Investments by German companies slipped from 51 to 45, while Japanese projects rose from 21 to 30.

Meanwhile, the UK's Central Statistical Office said yesterday that British exports to countries outside the European Union rose to record levels in the second quarter of this year.

The total value of exports to non-EU countries between April and June was a seasonally adjusted £15.57bn, a rise of 1.5 per cent compared the previous three months, and 10 per cent compared to the same period a year ago. On a monthly basis, exports rose to £5.27bn in June, from £5.09bn in the May.

Exports to North America grew at the fastest rate of the sectors in the last quarter, rising 6.5 per cent, compared to the first quarter, and 15 per cent compared to the second quarter of 1993.

Exports to the world's other leading industrialised countries in the Organisation for Economic Co-operation and Development grew by 6 per cent in the three months to June, quarter on quarter.

● UK car production this year is likely to reach a 21-year high if export trends indicated by industry statistics yesterday are sustained.

Production for export in June, at 48,213, jumped by more than 20 per cent for the second month in succession, strengthening the industry's hopes that Continental Europe's car market recovery is accelerating after one of its sharpest recessions on record.

With record sales being forecast for August, the export performance helped lift total car output in June by 7.7 per cent, to 145,078, compared with the same month a year ago.

S Africa back at the crease

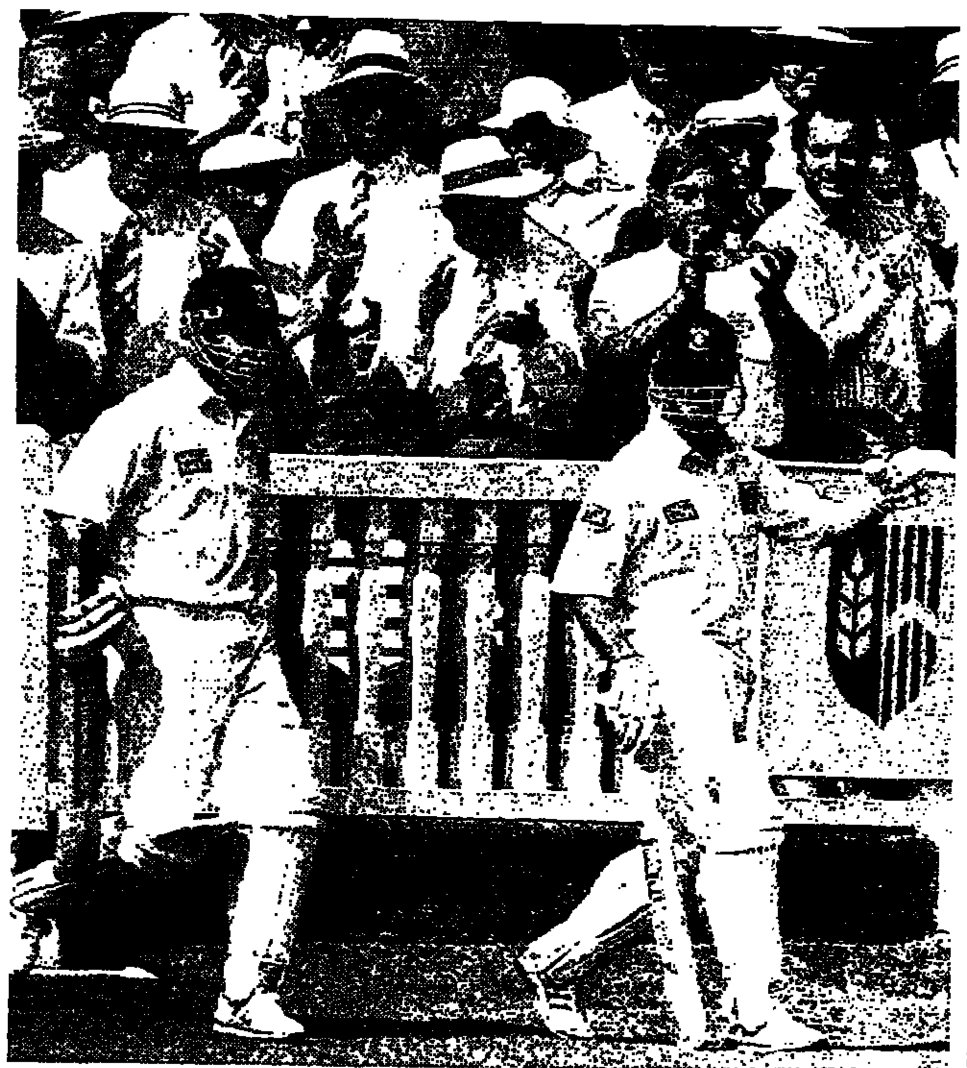
South Africa returned to the home of cricket yesterday for their first Test match against England for 29 years, *Jim Kelly writes*.

A capacity crowd at Lord's cricket ground in north London gave Gary Kirsten and Andrew Hudson a standing ovation as they walked out to begin an historic innings.

The last time the two countries met at Lord's Neil Armstrong's walk on the moon was still four years away. A ticket cost 75p - compared with £33 yesterday. The first four days of this match have been sold out for several months.

South African President Nelson Mandela was not able to witness the end of the last chapter in his country's sporting isolation due to his recent cataract operation, but was represented by his deputy, Thabo Mbeki.

But the homecoming was not as successful as the South Africans would have liked, struggling to 76 for two at lunch. They finished the day at 244 for six - with captain Kepler Wessels making 105 only to fall shortly before the close, brilliantly caught by tumbling wicketkeeper Steve Rhodes off the bowling of Darren Gough, who finished the day with three for 43.



South Africans Gary Kirsten, left, and Andrew Hudson make history at Lord's cricket ground in London as they walk out to open the batting in the first Test match against England for 29 years

Water tests find just 1% fails to meet standards

By David Lascelles, Resources Editor

Tap water in England and Wales is good and getting even better, according to the government inspector.

Mr Michael Rouse, who heads the Drinking Water Inspectorate, said that 3.5m quality tests last year found sub-standard water in only 1.1 per cent of cases. Each of these was later investigated but none was found to pose a danger to the health of consumers.

Mr Rouse criticised the media for putting about "ill-founded scare stories" on water pollution. This resulted in people who could ill-afford it buying expensive bottled water whose quality was not monitored as closely as tap water, he said.

Mr Robert Atkins, the environment minister, has sent a copy of the report to Mr Ioannis Paleokrassas, the EU environment commissioner in Brussels. He said yesterday that the UK was the only EU member state which produced an independently audited report on drinking water quality, and he urged Mr Paleokrassas to encourage other member states to do the same.

Mr Rouse's report comes at a time when water companies are defending themselves against criticism of fast-rising charges. Next week, Ofwat, the water industry's economic regulator, is due to announce new ten year price controls which are expected to impose tougher limits on future increases.

The water companies were quick to seize yesterday's report as evidence that their investment in quality is paying off. Janet Langdon, director of the Water Services Association, said: "The quality of water is at an all-time high. At 26p per day for the average household, the cost of top quality water is excellent value for money." However she said that Ofwat could not impose price controls which prevented the water companies meeting their obligations to provide high quality water.

Enforcement action was taken against water companies over breaches of regulations in 213 cases, but there were no prosecutions. The decision whether to take a case to court rests not with the Inspectorate but with the Environment Secretary.

Sinn Féin response 'wins IRA backing'

By Tim Coone in Dublin

The IRA military leadership has apparently endorsed proposals to be put to a special delegate conference of its political wing Sinn Féin this weekend. The party's definitive response to the Downing Street declaration is to be made at the conference, which will be held in Donegal this Sunday.

In a statement published yesterday in An Phoblacht, the weekly newspaper of Sinn Féin, the IRA army council said: "We encourage Sinn Féin as it continues to strive for the creation of a viable peace process. We note also the effort of others in this regard."

The Sinn Féin national executive is to present proposals to the conference on the party's response to the UK-Irish declaration, which will provide the focus for debate. The IRA statement appears aimed at reassuring the conference that there is a unity of purpose between the IRA army council and the Sinn Féin leadership.

The IRA statement said it had "a vested interest in securing peace" and that it would maintain "a positive and flexible attitude to developments in the peace process". It also reiterated its adherence to "republican objectives which include the right to national self-determination".

Downing Street responded brusquely to yesterday's statement, saying it did not "measure up to" a permanent cessation of violence which was the only thing it was interested in.

The key issue emerging from the conference will be whether there is any statement or hint that the IRA should suspend its military operations.

There have been growing expectations that the IRA was prepared to countenance an extended ceasefire in the late summer or autumn, in spite of the intensification of its operations in recent weeks.

Both governments have recently reiterated that a temporary ceasefire will not be sufficient for Sinn Féin to be admitted to direct talks.

Re-think urged on rail work sell-off

By Charles Batchelor, Transport Correspondent

Civil engineering contractors are urging the government to rethink its plans to privatise the companies which carry out £1bn worth of maintenance and track renewal work for the railways.

The Federation of Civil Engineering Contractors, which represents 300 of the largest companies in the sector, said that it wanted the government to break up British Rail's infrastructure services division into smaller units.

The maintenance companies to be put up for sale have contracts worth between £80m and £120m a year so could only by bought by a handful of the largest contractors, said Mr Maurice Webb, industry director of the federation.

The federation is pressing for them to be broken up into smaller units starting at £50m worth of contract value so the smaller contractors could bid. It fears that the present proposal would lead to the transport construction sector being dominated by a small number of very large companies.

"At present the number of companies which could bid would be limited to the top 10 or 12 contractors," Mr Webb said. Most of these very large contractors are federation members but Mr Webb said it was acting for the smaller and medium-sized companies.

The federation held a preliminary meeting with Mr Roger Freeman, transport minister, on Wednesday, the day he was moved to the ministry of defence. It hopes for a further meeting with his successor, Mr John Watts.

The department of transport said there were no plans to alter the present arrangements for privatising BR's infrastructure activities. The federation is also concerned at the government's plan to split maintenance work from track renewal contracts when it privatises the infrastructure companies. It wants bidders to be allowed to buy companies which carry out both maintenance and track renewal.

NEWS: UK

'Time for Britain to talk a new language of social justice,' says Labour party leader

Blair pledges to build on Smith's legacy

By Kevin Brown
Political Correspondent

Mr Tony Blair accepted the Labour leadership with a powerful speech setting out his vision for the party and his confidence that it can return to government at the next general election after nearly two decades out of office.

With his voice audibly strained by the emotion of the occasion, Mr Blair said John Smith had shown the British people that public service was "still an ideal that can breath hope into a politics grown weary and cynical."

Urging the assembled delgates to restore pride to the party, he said the leadership election was proof of the party's ability to change with the times.

"There was a time, wasn't there, when such an election would have been watched with trepidation by our friends and glee by our enemies; now it is an advertisement for Labour," he said.

Mr Blair paid tribute to Mrs Margaret Beckett, the interim leader, Mr John Prescott, the successful candidate for the deputy leadership, and Mr Neil Kinnock, the former leader, who had made Labour "electable once more."

Mr Blair attacked the government for failing to correct the "mistakes" of 15 years in government, and urged Mr John Major to call an early general election.

But he also promised to root out complacency in the Labour party in a crusade to win the nation's trust for a "mission of national renewal."

He promised help for all those who could not help themselves, and promised to create a country with no corner "where we shield our eyes in shame and look away because we dare not contemplate what we see."

Mr Blair said it was "time to talk a new language of social justice, of what is just and unjust, fair and unfair, right and wrong.

Some Tory backbenchers admitted yesterday that Mr Blair would pose a substantial new threat to them. "He is an effective communicator whom we will have to watch very carefully," said one.

Demonstrating this in a powerful passage, Mr Blair contrasted unemployment, homelessness, the growth in government by quangos, crime, drugs and poverty with soaring executive salaries.

But he warned that Britain had to come to terms with change in technology and work patterns, which affected the whole country, not just the poor and unemployed.

The party could provide opportunity and security in this world of change, but only by taking its historic principle of solidarity and community and applying it afresh.

"It cannot be done by a return to the past, or staying with the failed policies of the present. It will not be done either by seeing society as state control, central power or sectional interests," he said.

This would mean replacing the choice between the crude free market and the command economy with a partnership between government and industry; creating a modern welfare system for a nation at work rarther than on benefit; returning power to local government; and embracing the European Union as committed Europeans.

"The challenge of the Labour party is not just to govern but to inspire, not just to show how politics matters to us, but what it can do for them," he said.

Tony Blair finds himself in the camera's eye after the announcement that he had won the election to become leader of the Labour party with less than three years to the next general election

Reshuffle exposes differences on Europe

By James Blitz and Roland Rudd

Left-of centre Tory MPs were yesterday quick to criticise the appointment of Mr Michael Portillo as employment secretary, arguing that the job would give him a strong platform from which to pursue his right-wing agenda.

As MPs digested the full details of the prime minister's changes, pro-European backbenchers privately expressed anxiety that Mr John Major had decided to give Mr Portillo one of the three key economic portfolios in the cabinet.

As one prominent rank-and-file MP put it: "The prime minister would have been better advised to have given Michael a department outside the key economic area."

But another Tory left-winger feared that there would be so little for Mr Portillo to do at Employment – a department whose future had been regarded by some as under threat – that he would have more time to pursue his right-wing agenda.

However, right-wing MPs were equally vehement about the appointment of Mr Jeremy Hanley, a pro-European with liberal views, as party chairman.

Mr Hanley was criticised by right-wingers for being "soft" on public spending and nuclear disarmament, and for having less intelligence than some of his predecessors.

"He may be very good at raising morale at rubber chicken Tory dinners," said one right-wing conservative MP. "But he does not have the sharp brain that is needed for national TV appearances."

The anti-federalist European Foundation – run by Mr Bill Cash, the Euro-sceptic MP – was also critical of some of Mr Hanley's more pro-European views. "We will be asking Mr Hanley whether he will reflect the sceptical party line over Europe" said one European sceptic.

Despite the mutual recriminations over Mr Portillo and Mr Hanley, other cabinet ministers were coming to terms with their new departments.

Mrs Gillian Shephard, the new Education secretary, initiated a rapprochement with teaching unions following two years of strained relations under Mr John Patten, her predecessor.

Officials were reported to be telephoning a wide variety of teaching organisations, including the National Association of Head Teachers, to arrange meetings over the summer. Mrs Sheppard was already laying the ground-work for a speech to be made to the Professional Association of Teachers conference.

Britain in brief

Ministers to divest from Lloyd's

Ministers will have to divest themselves of direct investment in Lloyd's insurance market under new rules announced yesterday.

From next year ministers who are underwriting members of Lloyd's will have to arrange their syndicate participation solely through a Members Agent Pooling Arrangement - equivalent to a unit trust.

The revised government procedures were disclosed by Mr John Major in a written answer to Mr Jacques Arnold, Conservative MP for Gravesham. It comes in the wake of criticism of Tory MPs involvement in Lloyds.

The cross-party committee on MPs' interests recently issued a strong rebuke to 11 Conservative MPs, including former prime minister Sir Edward Heath, for failing to declare full details of their involvement in the Lloyd's.

Government officials believe the new procedures will have the effect of reducing ministers' exposure to over or under performance by any one syndicate.

This is because a MAPA must consist of at least 30 syndicates and have no more than 7.5 per cent of its total capacity on any one syndicate. Although MAPA members will still be subject to unlimited liability, officials say ministers are less likely to face huge losses and will no longer be directly involved in Lloyd's investment.

Under the old rules ministers could suspend their underwriting selectively.

The prime minister, chancellor of the exchequer, and secretary for trade and industry are not allowed to be underwriting members.

The total losses suffered by Lloyd's 30,000 or so traditional individual backers, known as names, have totalled £7.5bn in the four years to 1991, the last year for which accounts are available.

Meanwhile, a top-level Commons inquiry which could lead to far-reaching changes in the rules governing MPs' outside interests got under way at Westminster yesterday as MPs packed their bags for the summer recess.

The powerful Committee of Privileges met privately for about an hour in a discreet House of Commons committee-room.

The meeting came less than 24 hours after Labour backbenchers failed in an attempt to ensure that the inquiry into the so-called "cash for questions" affair was conducted solely by MPs with no outside business interests.

B&D set for restructuring

Black & Decker is to create 180 new permanent jobs at its Spennymoor, County Durham plant as a result of restructuring of its European power tools manufacturing and the launch of new products.

It is also to offer 120 Spennymoor employees on nine-month a year contracts permanent full-year jobs.

Under the restructuring, announced early this year, Black & Decker is shutting its plant at Limburg, near Frankfurt, which employs 480, and consolidating production of virtually all its consumer power tools for the European market at Spennymoor. Germany's high employment overheads were a key factor in the reorganisation, aimed at reducing product costs to compete against Far East competition.

The new jobs will take employment at the company's Spennymoor operations to more than 2,000. Most of the new posts will be offered to workers already at the plant on short term contracts, and to jobseekers on its lengthy waiting list.

Forecasts see quicker growth

Oxford Economic Forecasting, an independent UK supplier of economic analysis, expects the world economy will expand by more than 4 per cent this year, almost double last year's rate, with growth quickening to about 4.4 per cent in 1995.

It said the forecast, which is far more optimistic than the current consensus, reflects expectations of strong growth in the developing countries, led by China. Europe's economic outlook has also improved, reflecting stronger than anticipated exports and business confidence so far this year.

The company expects UK growth will accelerate to 3.1 per cent next year from a forecast 2.8 per cent in 1994. Britain's recovery is then expected to lose momentum with growth slipping to 2.7 per cent in 1996 and 2.2 per cent in 1997. By contrast, Oxford Economic Forecasting predicts world growth of 4.2 per cent in 1996 and 4 per cent in 1997.

Forces 'will keep readiness'

Mr Malcolm Rifkind, Britain's defence secretary, insisted yesterday that the cuts he announced last week would not affect the fighting strength of UK forces and that they would still be capable of mounting a campaign similar to that in the Falklands war.

Appearing before the parliamentary defence select committee, Mr Rifkind denied that the cuts put the Treasury first. He said that in addition to the £750m a year of cuts which would go to the Treasury in 1997, about £100m of extra savings had been identified which would go to the forces.

Some £60m is to be spent on establishing a joint-service rapid reaction command centre, which will co-ordinate activity between groups such as the parachute brigade and the Royal Marines, he said.

Record for Potter picture

A Beatrix Potter picture yesterday fetched a world record £24,200 at auction in London.

The pen and ink painting of The Guinea Pig Gardeners was bought by American Justin Schiller who last month dominated a Potter memorabilia sale in Wiltshire, spending more than £300,000.

Today he returned to Britain to buy the "guinea pig" picture for a price which London auctioneers Christie's confirmed as a world record for a single Potter illustration at auction. It had been estimated to fetch up to £20,000.

MANAGEMENT

The search for universal ethics

Tim Dickson on the launch of a new set of business principles

An international ethics code – stressing the need for moral values in business decision making – will be formally launched in Switzerland this weekend.

The Caux Round Table's seven-point *Principles for Business* contains nothing which will surprise enlightened companies. However, it is thought to be the first time a document of this kind has attracted influential supporters from Europe, Japan and the US.

Signatories include Ryuzaburo Kaku, chairman of Japan's Canon, John Charlton, managing director of New York's Chase Manhattan Bank, and a group of senior executives from the twin cities of Minneapolis/St Paul.

The aim of the CRT initiative is to set "a world standard against which business behaviour can be measured", a benchmark which will help more individual companies devise their own codes. "We seek to begin a process that identifies shared values, reconciles differing values, and thereby develops a shared perspective on business behaviour acceptable to and honoured by all," say the authors in their introduction.

CRT, which meets annually in the Swiss village of Caux-sur-Montreux, was formed in 1986 by Frederik Philips, former President of Philips of Eindhoven, and Olivier Giscard D'Estaing, vice-chairman of the Insead business school at Fontainebleau, France, as an attempt to reduce then escalating trade tensions with Japan. The group is concerned with "the development of constructive economic and social relationships between the participants' countries and with their joint responsibilities towards the rest of the world".

The *Principles* are said to be drawn from two ethical traditions: the Japanese philosophy of *kyosei* described by Canon's Kaku as "living and working together for the common good of mankind" and "human dignity" which refers to the sacredness or value of each person as an end, not simply as a means to the fulfilment of others' purposes or even majority prescription.

"What we didn't know at the beginning," explains Neville Cooper, chairman of the Top Management Partnership, a former executive director of STC and a founder of the UK's Institute of Business Ethics, "was whether we could reconcile the three different approaches. The Americans tend to emphasise company rather than state responsibility for community affairs, the Japanese place more importance on the team rather than on the individual, while in Europe there is a strong tradition of individual rights".

The CRT document, which owes a debt to *The Minnesota Principles*, a statement of business behaviour developed by the Minnesota Centre for corporate responsibility, comprises seven general principles and a number of "stakeholder" principles.

It affirms the responsibilities of business towards a range of stakeholders (for example, customers and employees as well as shareholders) and to the countries in which they operate. Suppliers and competitors should expect businesses "to honour their obligations in a spirit of honesty and fairness".

Business behaviour should be governed by a spirit of trust which goes beyond the letter of the law, while domestic and international rules should be respected. Other principles require companies to promote "the progressive and judicious" liberalisation of trade, "to protect and, where possible, improve the environment" and to avoid illicit operations.

Cooper believes the case for corporate ethics is much more widely accepted than it was seven years ago and reckons, for instance, that one in three leading UK companies now has its own code. "People say an ethics code can't make you ethical but then it's only a tool, just as a hammer doesn't build you a house."

He insists that statements of practice are an important way to clear up ambiguities for the "junior people" in an organisation.

Copies of the Principles for Business can be obtained from Caux Round Table Secretariat, Amaliastraat 10, 2514JC The Hague, The Netherlands. Tel: (070) 360-5260. Fax: (070) 361-7209.

Waste not, want not: along the shores of Worthington Lakes, impressionable seven-year-olds are taught how to save water

Lessons for water babies

John Authers looks at a project which helps schools

North West Water is taking an extremely long-term approach to water conservation.

It has set up its own fully-fledged "school" by the shores of Worthington Lakes, a reservoir near Wigan, to which it invites children from local primary schools for day-long sessions in the importance of water and its conservation.

The entire project is funded on a scale which few companies outside the utilities sector could dream. The impressionable seven-year-olds who attend are unlikely to waste water again.

The teacher, a water company employee, tells them how much water goes into an average bath, and then to gasps from the pupils shows them this is 119 litres. They are even more astonished when she demonstrates that a shower will only use nine litres.

This turns to amazement when they are told that if they are naughty about the way they brush their teeth and leave the tap running, they could use up to 18 litres.

In the long term, these lessons, repeated to a different school in the area each day, should reduce the amount of water which is wasted in the north west.

While a public relations exercise to a large extent, the company has resisted the temptation to ram home its brand identity. Its logo is scarcely visible in its education centre.

Teachers' responses are positive. Pupils have a day out and a valuable learning experience tied to the national curriculum. As the expense is met by the company, it is an excellent deal for schools.

North West Water has taken a lead, but all the water companies have launched big investment programmes since privatisation. They have gone far beyond the crudest educational links, which provide companies with good publicity in return for resources and now provide schools with a package which teachers are happy to use.

Severn Trent Water, which is opening a regional network of educational centres similar to Worthington Lakes, admits that they are aimed primarily at solving its image problem. According to Derek Allder, who co-ordinated the programme: "Post-privatisation we weren't the most popular of companies. We were seen as a virtual monopoly. The profitability of the company was denounced, while our infrastructure investment was ignored."

It was therefore vital for a company facing this kind of criticism to prove itself a good corporate citizen. It also needed a way to show people what it was doing without arousing the ire which glossy commercials might have provoked.

According to Allder, the company's defence is that it would not feel able to bring schoolchildren (or adults at visitors' centres) on to their sites unless they were confident their business would withstand scrutiny. As he put it, used car dealers are not likely to launch their own education programme.

Sir Desmond Pitcher, chairman of North West Water, takes a similar view: "Our business is so bound up with the day-to-day lives of our customers, that it is vital we are closely involved with the communities which we serve.

"The education programme allows us to communicate directly to children and teachers. There is so much misinformation about our industry that this communication is the most effective way to open people's eyes to the real issues and challenges we face."

The newly privatised water companies may each have monopoly status in their own areas. But their massive spending on educational and community programmes suggests that they do not feel able to abuse that status. In their education programmes, they seem to be providing more direct help to state schools than any UK industry.

Peter Aspden on a post-graduate course with a difference

A philosophical approach

It is the glossy prospectus which first suggests that there is something different going on here. Atmospheric photographs of droplets of water disturbing a calm surface, shafts of sunlight defining a clearing in a cave, hazy landscapes, verdant springs; it could be a campaign leaflet from the Green party or the programme for a performance of Beethoven's Pastoral Symphony, but surely not the outline for a new post-graduate management course.

Yet Lancaster University's Master of Philosophy in Critical Management, launched in April, has a few more surprises up its anything-but-pinstriped sleeve. The 14 students on the present programme were greeted with a two-week introductory course on epistemology and the problems of philosophy, about as far as you can get from the vocational emphasis of most management degrees.

Slowly, throughout the three-year, part-time course, they will be introduced to a variety of ethical, cultural and even religious discussions which more frequently lurk in the corners of university philosophy departments, often destined to fade into abstraction and irrelevance.

For Jonathan Gosling, co-director of the programme, these issues are too important to be left to such a fate. "We were prompted by the conclusion that at the very heart of management lie all kinds of philosophical and ethical questions. And we are catering for a demand that is already there – out of every MBA class of 25, for example, there are always two or three who want to question what rationality is, and how reasonable it is to assume so much about it.

It is the "critical" in the programme's title that best defines its aims. Julia Davies, the other co-director, says the course aims to go beyond the "flavour of the month" feeling about much management education.

"A lot of management rhetoric uses an almost religious language to dress up what is in effect materialistic. The 'market' often takes the place of God, and by calling people 'customers', they not only feel 'empowered', but they are made to think they are doing some kind of good. We aim to be critical of such rhetoric, and determine to what extent it rests on illusions."

Gosling denies suggestions that the course constitutes an ideological critique of management – "we are not out to destroy anything, we believe good management is critically important to society" – but there is a hostility in the department to the 'gurufication' which has continued to dominate the subject's literature.

Robert Chia, a lecturer in the Management School, says fashionable concepts such as Total Quality Management or zero-based budgeting emerged from radical approaches to problem-solving. "But people get hooked on the system instead of the style of thinking behind it." He thinks nothing of peppering his lectures with philosophers such as Jacques Derrida or Roland Barthes, balanced with anecdotal examples from the business world. "It strikes a chord – we manage to cut through the crap of academic pretentiousness. What I try to show is that abstract ideas are actually not all that abstract."

Gosling, in the meantime, is confident of the future of courses such as the Lancaster M Phil. "It attracts the kind of person who may already have an MBA, but finds nothing to relate to in something like pure philosophy." Current students include the head of organisational development of the German health insurance company, AOK; a brand manager for Philip Morris in Japan; and the human resources director of Romania's economic development agency.

Gosling also feels he and his colleagues have caught something of the *zeitgeist*. "There is less security and more vulnerability around now, which the traditional MBA, with its assumption of ever-onward, ever-upward, does little to cater for. We can provide a notion of mortality."

PEOPLE

Ligon strides out for Levi Strauss

Levi Strauss UK, the clothing manufacturer, has appointed its second female general manager. Janie Ligon will take over at the start of next month from her US compatriot Jann Westfall, who has done the job for four years and returns to headquarters in San Francisco.

Ligon will be based at Levi's head office in Northampton, and will be responsible for all its business in the UK and Ireland.

With the company for 14 years, her previous role was national sales manager (womenswear) for Levi Strauss North America, covering the US, Canada and Mexico. She has much deeply involved in moves to improve links between the manufacturer and its stockists, both in terms of staff and technology. Her aim was to manage and co-ordinate better the whole cycle from the manufacture through to the sale of garments so as to maximise retail sales.

Levi Strauss hopes she can bring that expertise to its UK and Irish operations.

Ligon has also worked hard on expanding electronic data interchange (EDI), or the exchange of sales data between the manufacturer and its retail outlets – seen as being an important trend in retailing for the 1990s.

She was previously director of operations in the US, and, from 1986 to 1991, merchandising manager for women's jeans worldwide, having held a number of posts in preceding years. Before joining Levi Strauss she was business planning manager at Del Monte, and a management consultant with McKinsey in Chicago. She has an MBA from Northwestern University in the US.

Ligon will be hoping to build on the success of her predecessor, Jann Westfall, who has achieved an increase in sales in each of the past four years in a difficult jeans market, and has done much to build up Levi's brand image with the help of a high-profile, Europe-wide advertising campaign.

Insurance moves

■ **Julian Cusack**, md of Wellington Underwriting Agencies, has been appointed to the board of WELLINGTON UNDERWRITING HOLDINGS. **Andrew Hussey** and **Roger Sedgwick Rough**, formerly directors of Murray Lawrence Members Agency, have been appointed directors of Wellington Members Agency.
■ **Rafael Miqueleiz** and **David Way** have been appointed to the board of FENCHURCH Insurance Brokers.
■ **Stephen Gordon** and **Malcolm Nightingale** have been appointed to the board, and **Christopher Stevenson** company secretary of RELIANCE NATIONAL INSURANCE Co (UK).
■ **Margo Black** has been appointed a divisional director of E.W. PAYNE's overseas division; she moves from Munich Re.
■ **Andy Dyble**, group finance director for Skandia Life Assurance (Holdings). Skandia Life and Professional Life, has been appointed to the board of SKANDIA LIFE ASSURANCE (HOLDINGS).
■ **Kevin Dean** has been appointed a director of CMI's Isle of Man operation.
■ **Eric Galbraith**, formerly a director of Bowring, Marsh & McLennan, has been appointed md of ROYAL BANK Insurance Consultants on the retirement later this year of Norman Paterson.

Lord Young, executive chairman of Cable & Wireless and a former Trade and Industry Secretary, is to become president of the National Federation of Enterprise Agencies.

The organisation speaks on behalf of 130 enterprise agencies throughout England which provide business services to small and medium sized enterprises.

The agencies are coming under some budgetary pressure as funds supporting their support services are being diverted into the Single Regeneration Budget which the government hopes will improve the coherence of its inner-city regeneration policies.

Michael Heseltine, a successor of Lord Young at the DTI, is keen for the Enterprise Agencies to integrate with Training and Enterprise Agencies and Chambers of Commerce into the government's one-stop-shop Business Link network.

Non-executive directors

■ **Tony Coleby**, retired director of the Bank of England, and **Peter Gummer**, chairman of Shandwick, at HALIFAX BUILDING SOCIETY.
■ **Tony Frendo**, a former director of Argyll Group, and **Stuart Hollander**, a former md of Aquascutum Group, at STAFFORDSHIRE TABLEWARE.
■ **Chris Ingrams**, chairman and chief executive of CIA Group, and **Lord Lane of Horsell**, retired senior partner of BDO Binder Hamlyn, at CHRISTIE GROUP.
■ **Baroness O'Cathain** has resigned from SEARS.
■ **Liam Kane**, chief executive of Caledonian Publishing, at the SCOTTISH NATIONAL TRUST.
■ **Anthony Westropp**, chairman of the Britton Group, and **Stuart Henderson**, chairman of SLD Holdings, at MARLING INDUSTRIES; **Mark Sketchley** has retired.
■ **Sir Peter Carey** has retired from CABLE AND WIRELESS.
■ **Martin Duffy** has resigned from CRP LEISURE.
■ **John Renyi** has resigned from GOVETT ORIENTAL INVESTMENT TRUST.
■ **Dieter Hermann** has resigned from MELVILLE GROUP.
■ **Marvin Jaffe**, former president of the R.W. Johnson Pharmaceutical Research Institute, at CHIROSCIENCE GROUP.
■ **David Carruthers**, a director of T&N, at RUBICON GROUP.
■ **Godfrey Whitehead**, former senior partner of Coopers & Lybrand, South Coast, at PEGASUS AIRWAVE.
■ **Anil Puri**, former md of Lithopak and J.S. Duxbury, at parent MELTON MEDES.
■ **Jim Park** (below), former md of ICI Films, at ALTRO GROUP and at BORTHWICKS, from where **Dennis Carey** has retired.

TECHNOLOGY

Neil Buckley concludes a series on electronic retailing by looking at multimedia's unstoppable rise

Reality catches up with vision

Step into the store of the future. Just inside the doorway is a kiosk containing an interactive computer terminal that will become your personal guide to the store, showing you what is on offer, giving information on products in attractive audio-visual displays, and eventually taking your order and payment.

Multimedia, the combination of sound, moving and still pictures, graphics and text on a computer screen, has long been seen as one of the most exciting new technologies for retailers. It is potentially a powerful tool for communicating with customers and improving service and sales.

Unlike many technological changes in retailing which have occurred behind the scenes, multimedia is a highly visible way of using technology to enhance the customer's shopping experience.

Until now, the reality has lagged behind the vision. Retailers have been cautious about exploring the possibilities of multimedia, regarding it as a solution waiting for a problem.

However, Don Jackson, a consultant specialising in multimedia with ICL Retail Systems in the UK, says following demonstrations of multimedia given by ICL earlier this year, 48 retailers from several countries have expressed interest.

"At last the technology has caught up with the hype," he says. "Retailers are recognising and accepting the benefits. We could see significant movement next year."

He adds that the progression from electronic points of sale, the biggest retail innovation of the 1980s, to electronic points of service, is a logical and natural one.

The most important benefit of multimedia is likely to be to enable retailers to carry wider ranges

Crude forms of multimedia have been around since the early 1980s, when computers linked to laser discs began to be used in shops to provide visual displays.

What makes modern multimedia systems more attractive to retailers is the ability to integrate them into their logistics and distribution systems, and to make them interactive. That gives customers the opportunity to control information displayed on the screen rather than watching a pre-recorded sequence.

The in-store kiosk assists customers in selecting their purchases and eliminates problems caused by store assistants having inadequate knowledge of products, by offering customers far more information than could be retained in the head of shop staff.

Moreover, by including a video camera in the terminal, the screen could display an image of what a particular garment, for example, would look like on a customer, and show the garment in a range of colours or sizes. The system could also be programmed to suggest alternatives if an item was out of stock, or additional purchases linked to the main purchase.

A more advanced version of the multimedia kiosk would include a credit card reader to allow customers to pay for goods and a link communicating the order to the stockroom, and if necessary triggering re-order of items from the manufacturer.

It might also record the customer's choice, as well as the alternatives considered by the customer and the length of time spent looking at different parts of the catalogue, to allow the retailer to build up a profile of the shopper's preferences. This could be linked to a loyalty scheme, whereby regular shoppers would receive "smart" cards which they would insert into the multimedia kiosk, allowing the system to "recognise" them, greet them and offer discounts or inform them of special offers.

The development of multimedia kiosks opens up other possibilities. They could, for example, be placed in shop windows or outside stores, to allow customers to look through the catalogue and even place orders outside shop opening hours. Kiosks could be removed from the store altogether, and placed in areas of high customer traffic such as airports, railway stations or even office reception areas.

From there, it would only be a short leap to customers being able to access the systems from their homes, once sophisticated digital communications networks are developed. "There are retailers who look on current multimedia systems as a stepping stone to proper, interactive home shopping systems," says Jackson.

In addition to allowing stores to provide better service, and understand their customers better, the most important benefit of multimedia is likely to be to enable retailers to carry much wider ranges.

As customers grow accustomed to using multimedia, retailers might be able to reduce and eventually abandon display items altogether, storing products in a stockroom with customers picking up their orders from service points. That would allow greater ranges to be sold from the same, or less, floorspace.

For the moment, examples of multimedia being used in retailing remain isolated.

Woolworths in the UK has experimented with a system called MV+ offering a 15,000-item catalogue of home entertainment products and giving the customer the chance of browsing and listening to or viewing clips before purchasing them.

Ford is one of several car manufacturers introducing interactive terminals into showrooms to allow customers to see their chosen car in the colour and with the specifications they want.

Comsys of Belgium has developed a system already being used by some Belgian hairdressers to enable customers to choose a hairstyle from a database of 4,000 styles and see an impression of how it would look on them. In Denmark, estate agents are using multimedia kiosks to present information about properties on the market.

At London's Heathrow Airport, Galleria 21 has installed 24 multimedia kiosks for duty-free shopping designed by the John Herbert Partnership, and using multimedia technology developed by AT&T.

One of the most advanced test programmes so far has been by Argos, the UK catalogue retailer. It introduced eight multimedia terminals into stores last autumn, and is installing another 12 this summer.

Argos' catalogue-based format lends itself naturally to multimedia, and the system, known as Impact (Interactive Multimedia Project – Argos Customer Terminal) offers both an electronic version of the catalogue and payment facilities.

Geoff Robinson, director of information systems, told a retailing conference earlier this year that the project had been a success, producing positive reactions from customers and staff, and achieving significant sales increases.

However, he added, usage rates by customers were only half the rate hoped for as it was often quicker to go through standard tills if the queue was short, the terminals were not promoted heavily enough or put in sufficiently prominent positions in the store, and the software was sometimes too slow and not exciting enough.

Argos says it has tried to rectify these problems with its second generation of terminals, but its experience demonstrates the complexities of getting the most from retail multimedia systems.

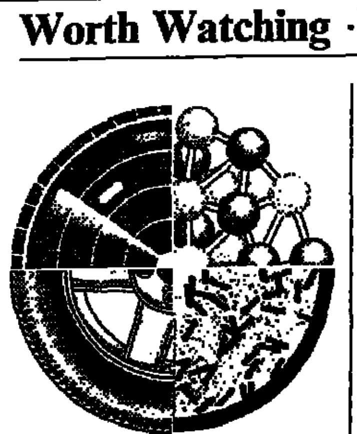
Multimedia is also likely to be more beneficial in some areas of retailing than in others. Those with most to gain are likely to be fashion stores and health and beauty chains, high street banks and sellers of complex and expensive items such as electrical and electronic goods retailers, and travel agents. The technology is expected to make less of an impact in grocery retailing, although it could be used for menu and recipe suggestions and to guide customers around stores.

Julia Schofield, of Julia Schofield Consultants, an IT specialist which has formed a partnership with ICL to develop multimedia for retailers, says getting multimedia systems right requires strong software design and systems integration skills. "These must be focused on clearly defined and achievable goals, so that the return can be measured," she adds.

Retailers must have a very clear idea of what they want multimedia technology to do for them, she says, and make sure their system achieves that. But the technology already exists to enhance both the ease and excitement of shopping, and is waiting for retailers to use it.

Previous articles have appeared on June 9, 16 and 23, July 1, 8 and 15.

Worth Watching · Vanessa Houlder



Giving a voice to car navigation

The strains of map-reading while driving through an unfamiliar city could be eased when Amerigon, a Californian company, introduces a voice-operated car navigation system later this year.

Its AudioNav system, which connects to a car's compact disc player, will provide recorded voice directions in response to the driver's spoken commands, which are transmitted through a microphone clipped to the driver's sun visor.

The system, which uses digital map data converted to an audio compact disc format, is able to identify the origin of the trip, its destination and the fastest route. It uses map data, produced by Etak, a Californian subsidiary of News Corporation; which covers the US and metropolitan areas in Europe and Japan.

Amerigon: US, 818 93 21 200

Worm's eye view of pollution

Earthworms are being used to detect the long-term effects of environmental pollution.

Scientists from the UK's Natural Environment Research Council believe information from earthworm cells provides a simple, effective technique to assess the presence of heavy metals, dioxins and other potentially harmful chemicals.

Body fluid cells are taken from earthworms in contaminated areas. The cells are then exposed to a dye that is absorbed by the cells' lysosomes. If the earthworm has been exposed to pollutants, the dye is released rapidly; in normal earthworms, the dye is released slowly.

This type of "biomarker" technique is useful in cases where traditional chemical analysis cannot provide a comprehensive or accurate enough assessment of the long-term effects of a cocktail of contaminants, particularly in seas, lakes and rivers.

The earthworm work is one of the first applications of biomarker techniques on land. It has helped in the assessment of the environmental impacts of waste products from gold mining in Africa.

Natural Environment Research Council: UK, 0793 411561

Turned on to description TV

UK broadcasters are launching a trial of a system which will make television programmes more accessible to people with sight problems.

Over the next four months, a number of programmes on ITV and the BBC will be broadcast with a data signal carrying an audio commentary describing what happens in the programme during gaps in the dialogue.

The Audetel system uses set-top receivers which transmit the commentary through headphones or a loudspeaker.

The system was primarily developed to give people with sight problems greater access to television but it is also intended to appeal to other viewers who want to follow a programme while doing something else.

The system has been developed by a consortium including the Age & Cognitive Research Centre at Manchester University, BBC, ITC, ITV Association, Motorola and the Royal National Institute for the Blind.

BBC: UK, 081 576 1619

Purer products for haemophiliacs

Bio Products Laboratory, part of the National Blood Service, has launched a highly purified blood product for the treatment of haemophilia.

Replenine is a concentrated form of purified Factor IX, the clotting agent needed by people with haemophilia B to prevent bleeding. The Factor IX in Replenine is 10,000 times purer than in the original plasma from which it is manufactured.

The purification is based on metal chelate chromatography, a process that uses copper to capture Factor IX from the plasma, while minimising damage to the protein.

Bio Products Laboratory: UK, 081 905 1818

OBITUARY

CROOK. THE REV'D CANON Dr John Michael Donovan Crook FRCS, on St. Peter's Day, fortified by the Rites of the Church, and buried in St. Paul's Cathedral Churchyard, Island of St. Helena the following day. FRCS 1956; sometime Senior Medical Officer, North Borneo (Sabah); ordained Deacon 1985, Priest 1986, Assistant Priest, Diocese of St. Helena, 1985-94; Hon. Canon, St. Paul's Cathedral, St. Helena, March 1994. Author of *Surgeon in Borneo/Priest in St. Helena* (1992).

PROPERTY

One for the gamblers

Office investment is a triumph of hope over experience, writes **Matthew Oakeshott**

Institutions began measuring the performance of their property portfolios about 25 years ago. Their office investments have since enjoyed only two short spurts in which they have out-performed shops and industrial property, in the early 1970s and the late 1980s. These were the two wildest speculative booms this century. Both ended in decline in the general property market and disaster for office investments. Otherwise offices have persistently underperformed retail and industrial property in both capital and rental values.

There are two main reasons why the rotten record of offices is taking so long to be recognised – large lot sizes (which institutions understand) and depreciation (which most do not). UK institutions have swung from inertia to hyperactivity over the past decade in their allocation of assets between property and other areas of investment.

In the early 1980s, most self-managed funds gave no sign of having any policy on what the property proportion of total assets should be. Now institutions have moved to the other extreme. Many seem to look no more than a year ahead; there is thus pressure to pour large sums into property in a hurry when it "looks right", as has happened over the past year. Fund managers under pressure chase lumpy investments, usually big office blocks.

Once the bloom comes off the property rose (a process which started recently in the UK when the cold winds blew from the bond markets) and the asset managers want to cut back on property, the selling pressure then becomes greatest on the same big office blocks which have been used to force money into the market on the way up.

Offices have a worse long-term record than the market as a whole, and are more volatile than the other sectors. They provide spectacular profits for the few developers and dealers who get their timing right. Meanwhile the institutions predictably got their timing wrong in the last upturn, with their two heaviest years' spending on office development occurring just as the bubble burst in 1988 and 1990.

Investors always underestimate the costs of office depreciation and changing occupational requirements. These are much higher than for shops, and slightly higher than for industrial/warehouse property.

UK offices: rooms with little return

		Retail	Office	Industrial
Total return				
% pa Dec 1980-93		10.5%	8.3%	12.4%
% pa Dec 1970-80		15.7%	14.8%	17.8%
Capital growth				
% pa to June 1994	1 year	19.6%	15.3%	21.9%
	5 years	-1.8%	-6.8%	1.5%
	15 years	6.7%	3.3%	5.2%
Rental value growth				
% pa to May 1994	5 years	-0.1%	-8.0%	-0.4%
	10 years	9.6%	4.2%	6.7%
	25 years	11.2%	8.0%	9.2%

Source: IPD Annual Index, IPD Long-Term Index, Richard Ellis Monthly Index, Hillier Parker Rent Index

Investors therefore need at least as thick a cushion of running yield on offices as on industrials to compensate for the much higher long-term holding costs compared with a typical high street shop, where the value is mostly in the land.

Well located shops do not depreciate, but offices and industrial properties always have done, since the building element represents a big part of the total value. No matter how well designed, buildings do wear out and the way people work in offices changes even faster. This hits the office investor, as an example of a new office building let on a 25-year lease shows.

The investor buys his shiny new office at a prime (low) yield – say, 8 per cent or 7 per cent now. For the first few years, the rental value grows in line with rents in other new offices; perhaps even at the second rent review (after 10 years) growth is still maintaining that pattern. But by the third rent review (after 15 years), obsolescence of both kinds is beginning to take its toll, with the rent rise lagging new office rents by, say, 1 per cent a year, with a further 1 per cent a year lag by year 20, and another 2 per cent a year in the run-up to the end of the lease after 25 years.

Then the investor has a building with no guarantee of future income, where the tenant may be prepared to stay but will be in a strong position to demand either refurbishment from the investor, or a rent below new state-of-the-art offices, or both. The investor will have suffered slowing income growth, and possible extra capital expenditure and a capital loss on the final valuation as well, since the yield on which the 25-year-old property is valued will have moved up sharply – say, to 9-10 per cent if prime yields on new offices are still 6-7 per cent.

Offices are overpriced, and institutions are over-invested in them on any assessment of their long-term record. Though institutions have been net sellers of office investments according to Investment Property Databank, a research group, over the past nine years, and the office proportion has fallen from two-thirds in the early 1970s to two-fifths today, offices are still the largest sector in most portfolios.

This weighting reflects a triumph of hope over experience. In the early 1970s, yields on office and shop investments were similar. Industrial yields were 2-3 per cent higher to allow for depreciation and obsolescence. In the past few years, office yields have moved above shop yields, with the gap about 1½ per cent at present. As the evidence of poor office rental growth and ever-increasing depreciation costs piles up, office yields should move above industrial/warehouse yields and stay there for the foreseeable future.

In any other market, an investment sector with as poor and risky a record as offices would stand on the lowest rating and highest yield. In property, tradition and inertia can spread fundamental changes like this out over many years. But investors' downgrading of offices is under way and may accelerate, as their approach to property investment grows more like their techniques in equity and bonds.

Today, institutions can collectively reduce their office weightings very fast so long as overseas buyers, with their fixation on large London offices, don't wake up in time. You may even find a bigger fool to buy your office in a few years if you buy or develop it today – but all the evidence of the past 25 years points clearly to retail and industrial property consistently performing better than offices. Offices are for gamblers, developers and middlemen, not serious long-term investors.

The author is a director of OLIM, an investment management firm

ARTS

All change in game of musical chairs

Antony Thorncroft says London's orchestras are having trouble finding new musical directors

The Philharmonia confirmed this week that the contract of its music director Giuseppe Sinopoli has been terminated, making official what had been known informally for months.

Although Sinopoli was a great showman, and brought the orchestra a valuable recording contract with DGG, his idiosyncratic interpretations of the great romantic symphonies had not always charmed the critics.

This means that two of London's four main orchestras are seeking music directors. Last month the LPO parted company with the equally controversial Franz Welser-Möst, a Young Turk who also failed to win round the critics. What is going wrong and where are the orchestras to find successors?

If you have any bright ideas they would be delighted to hear. There is a scarcity of top-flight conductors at the moment, and those with sufficient musical and commercial weight are reluctant to come to London. It is becoming apparent that the Art Council's ill-fated attempt last year to kill off one or two London orchestras in the quest for a super-orchestra has cast a pall over the city's musical scene.

To outsiders the long-term future of all the orchestras seems uncertain. Who wants to take on bands of financially stressed and worried musicians in a city where competition is intense, audiences world-weary and fickle, and where there is a chance that the orchestra could go belly-up within a year or two. Best to stay put in a North American or European city where you are cock of the walk.

Both orchestras, which share residency at London's South Bank Centre (although the LPO has pole position), urgently need a good music director to give a shape and authority to their work.

All the great orchestras of recent years – Berlin, Chicago, Cleveland – have been associated with great conductors such as Karajan, Solti, Dohnányi. Who will rescue the LPO and the Philharmonia?

Unfortunately the man they both wanted, the brilliant young Mariss Jansons, has turned them down: perhaps he has his eyes fixed on St Petersburg. The alternatives seem lacklustre in comparison.

The Philharmonia has close links with Christoph von Dohnányi and John Eliot Gardiner, but the former is too firmly entrenched at Cleveland to want the hassle of London and Gardiner is best suited for occasional visits than as a permanent force. The Philharmonia might consider Nikolaus Harnoncourt, but no quick or obvious answer is on the horizon.

The LPO could well be seeking its future in its past and might get together again with Bernard Haitink, its former music director who is now styled president.

His years at Covent Garden are drawing to an end and Haitink would be a safe pair of hands: but is he the man to excite a new, younger, audience? The LPO would probably love someone who has demonstrably lifted the reputation of an orchestra, such as Charles Dutoit at Montreal, but can it afford him, and would he want to come?

Ironically, while the two London orchestras agonise, a leading regional orchestra, the Bournemouth Symphony, this week nipped in quickly and secured one of the brighter young talents, Yakov Kreizberg, as its principal conductor.

Kreizberg, a 34-year-old Russian, might well have been the man to liven up London if the orchestras had been faster on their feet.

Musical

Patsy's star shines brightly

This is becoming very predictable. You enter a theatre auditorium to see the cast already hamming it up on stage. Their eyes light up at the sight of an audience and they jump down into the stalls to greet it with many a "howyadoing" and "glad to see ya". Eventually they re-assemble and yet another bio-musical begins.

In fact, Patsy Cline, A Musical Tribute is better than most, mainly because it has an impressive star, Sandy Kelly, playing Patsy and partly because it concentrates on the music – there are more than 40 songs – and sketches in the short life of this country icon with as much detail as a leader in The Sun.

It is hard to deny that getting herself killed in a plane crash at the age of 31 was a shrewd career move for the singer: it ensures an untarnished reputation and that her records sell well – although, as in her lifetime when she was signed to a typically Machiavellian producer, Patsy fails to enjoy the royalties.

Surprisingly Mervyn Conn's production makes little of the drama of her death. It excels, however, in projecting the other great characteristic of Cline, a stunningly resonant voice, so different from the usual country whine. It makes a Cline recording instantly recognisable to this day and enabled her to become the first female singer to move from the country charts to the pop.

Cline spent most of her life on stage so it is acceptable that the set is a rough-up of the Grand Ole Opry in Nashville and most of the large cast of musicians who periodically – with hit and miss success – lapse into acting, mainly portraying the men who Cline climbed over to reach the top.

The show has toured the country for months which provides a good ensemble feel but the performances are workmanlike when set against Sandy Kelly. She catches the heartbreak in Cline's voice with emotional perfection and the tortured ballads – "Crazy", "I fall to Pieces", "Sweet Dreams" – come out newly minted.

George Hamilton IV (the "IV" embroidered on his waistcoat is the giveaway) gives her generous self-effacing support as a narrator who actually knew Patsy Cline.

Go see the musical for the salty Kelly and for the music, the short, escapist, tuneful, country songs which seem so refreshingly innocent compared with modern grunge.

Do not expect much in the way of character development or in-depth examination of the Nashville music scene of the 1950s.

Antony Thorncroft

The Whitehall Theatre.

Alastair Muir

Impressive star-turn: Sandy Kelly catches the heartbreak of the country singer's voice in 'Patsy Cline, A Musical Tribute'

Music/David Murray

Kronos goes against grain

Hugely hyped as usual, the Kronos Quartet are playing the Barbican this week. They are the string quartet who sprang to fame in the early 1970s, by performing in extravagant designer gear, cultivating "cross-over" music (sometimes between classical and pop, more often between classical and ethnic) and playing rather well.

Or rather, they are almost *not* that group – their leader David Harrington is the sole remaining member of the original team. Presumably the Kronos "idea" survives transient personnel.

The *Zeitgeist* blows unpredictably, and super-sharp costumes now look naff. These days, Kronos dresses down while trading as always upon theatrical lighting – blue for sincere rumination, red for excitement, perpetual darkness in the auditorium. Most of Tuesday's programme was on that level of sophistication, and any four competent sidemen could have delivered most of it with minimal rehearsal.

The jazz clarinettist Don Byron's *There Goes the Neighbourhood*, for example, set solos over mildly dissonant, rocking accompaniments, laboriously written out for quartet. Jon Hassell did much the same in *Pano da Costa* (African-based, but with Brazilian percussion for the players to manage), another commission, and Hirokazu Hiraishi too in *Prismatic Soundscape* (sub-Takemitsu).

Kronos had also commissioned three arrangements from the late Raymond Scott's commercial work – sprightly, but too tame on mere strings – and invited Ingram Marshall to rewrite his 1982 *Fog Tropes*, which blended live brass with recorded foghorns, for strings instead: thus wrecking the blend and also revealing a seriously incompetent composer.

The string-quartet medium is not God-given, but rests upon its base in Haydn and on what successive composers have made of it – Mozart, Beethoven, Schubert, Schoenberg, Bartók, Elliott Carter. Dialogue and argument are the whole point: four individual string voices can be just enough to encompass a small world of intense expression.

To reduce the players to uniform, faceless accompanists is not to "extend" the medium, but to diminish it radically. On Tuesday evening, the only works that *told* were Dmitri Yanov-Yanovsky's lugubrious mini-concerto for *chang* (a kind of cimbalom) and Peter Sculthorpe's *From Ubirr*, a respectful, old-fashioned celebration of the one-note didgeridoo (David Coulter).

It was reassuring on Wednesday to find that the (current) Kronos team can sound like a quartet. They played all four of Alfred Schnittke's introspective works for the medium, thoughtfully and searchingly. In the Third and Fourth Quartets – the one freighted with melancholy recalls old Russian chorales and folk-stuff, the other with no more than a *few* major/minor triads – the Kronos team were a model of grave, delicate sympathy.

Truth to tell, Harrington's own part sounded underpowered against the rest of the trio. His fine, taut line was too light and unauthoritative for Schnittke's purposes; it never grabbed us.

Though electronic enhancement is second nature to the Kronos, one should not count upon it to do the job. Schnittke still writes for a "classical" quartet, and for all their virtues the Kronos Quartet is still something less than that.

A thundering start to Proms

The label Mahlerian is often used too loosely, yet it seems appropriate for Tuesday's Prom conducted by Simon Rattle.

Besides the Adagio from Mahler's Tenth Symphony, the programme included Berg's early *Altenberg Lieder* and Shostakovich's Fourth Symphony, a work over which the Austrian symphonist's spectre looms large.

Rattle and "his" City of Birmingham Symphony Orchestra have a reputation in Mahler's last work. Here Rattle conducted – from memory – the opening movement with a liquid, flowing baton, shaping the CBSO's smooth strings in passionate arches of melody. He built up the sonorous, organ-like climax massively, and maintained the intensity in the music's dying phrases.

Much in the five *Altenberg Lieder* reveals Berg's musical roots in Mahler – but not the startling orchestral opening, in which complex ostinatos conjure up the snowstorm of the first poem. Rattle conducted with incisive clarity, revelling in the colourful sonorities but occasionally smothering the soprano soloist, Heather Harper.

Miss Harper – who has come out of retirement to sing in two Proms this year – showed her affinity with the music: she made each of Berg's concentrated phrases (the score is a model of economy) tell, and found lyricism in the searching lines.

Shostakovich's baffling Fourth Symphony is seldom played. In an act of self-censorship, the composer suppressed it for 25 years; had it been premiered in 1936 as scheduled, its revisiting of Mahler's emotional world would almost certainly have brought down Stalin's wrath on Shostakovich (significantly, one of the composers approached to complete Mahler's Tenth, though he declined).

Another suggestion of Mahler was in the sheer size of Shostakovich's orchestra, and here the CBSO flexed its collective muscle with shattering results. From the thrusting opening chords, this was high-voltage Rattle, but he rather overplayed the work's quirkiness that can obscure the anguish bottled up inside.

Above all, this was a performance that brought home the horror that the still-idealistic Shostakovich was glimpsing.

John Allison

Clash of the piano greats

Frank Lipsius sees the start of a concert tour that brings together two of rock's giants, Elton John and Billy Joel

Billed as the battle of the great piano rockers, the 24-date Billy Joel-Elton John US stadium tour brings together two confident superstars ambling through 20 years of their repertoire.

The four-storey high set depicting the American War of Independence with Redcoats and tricorned Americans conveys less of the regal atmosphere than the shield atop the proscenium with the legend "Heart and Soul" flanked by the British lion and American eagle.

The paired grand pianos on-stage at Philadelphia's Veterans Stadium, where the tour started with three shows, were closer together than the two performers, despite a warm embrace at the start.

Elton John acted the shy guest, putting lusty lungs behind the songs with little audience eye contact. He had been invited to join the show by Joel, ostensibly after a decade-long courtship, but the dual billing was timed to coincide with a crowded summer of superstar stadium tours by Pink Floyd, Barbra Streisand and the Eagles, as well as the packaged events Woodstock '94 and Lollapalooza (in its fourth year as a Woodstock for alternative rock acts).

John started with his first hit, "Your Song", followed by Joel singing "Honesty". John did Joel's "New York State of Mind" saying that they had agreed to sing one of each other's songs. This made Joel sound insincere in his effusive intro to John's "Goodbye Yellow Brick Road".

When they took their turns separately, they sang truncated but generous sets of their greatest hits. Returning together for the finale, they moved beyond the predictable with an oldies medley and a duet of the Beatles' "Hard Day's Night".

John used to make his body reverberate with the intensity of his fingers pounding the keyboard. In this concert the piano still pounded out jangling harmonies, but his expression was placid. His range of emotion was embodied in a modest costume change from a loose grey suit to a white linen jacket and finally a blue satin jacket. Even his spectacles were modest yellow-tinted half-frames. It was positively demure by Elton's standards.

John got the audience to their feet with "Philadelphia Freedom", but the 20-to-50-year-old crowd sat for the rest of the hour-long set, which included his current number-one hit from *The Lion King*, "Can You Feel the Love Tonight", performed like a music video to the film's animated sequence. The camera caught him at his most animated during "Baby, You're the One" gesticulating to his crew to turn his monitor down.

Joel was far more the showman. He soon removed his loose-fitting grey suit jacket and rolled up the sleeves of his black T-shirt, swinging the microphone stand as he strutted across the stage.

His good spirits seemed only spurred on by a sudden crisis when his drummer, who had been food poisoned, left the stage. Joel quickly filled in with John's drummer, whom he instructed before each song – back to the audience, arms flailing.

Joel reached deep into his repertoire for songs such as "Billy the Kid", but he kept the audience on their feet singing the words.

These were obviously Billy Joel fans, happy to get a look at Elton John and have a 3½-hour performance from the two piano rocking greats, but they were there for the one whose finale "Piano Man" sent them out singing into the sweltering summer night.

INTERNATIONAL ARTS GUIDE

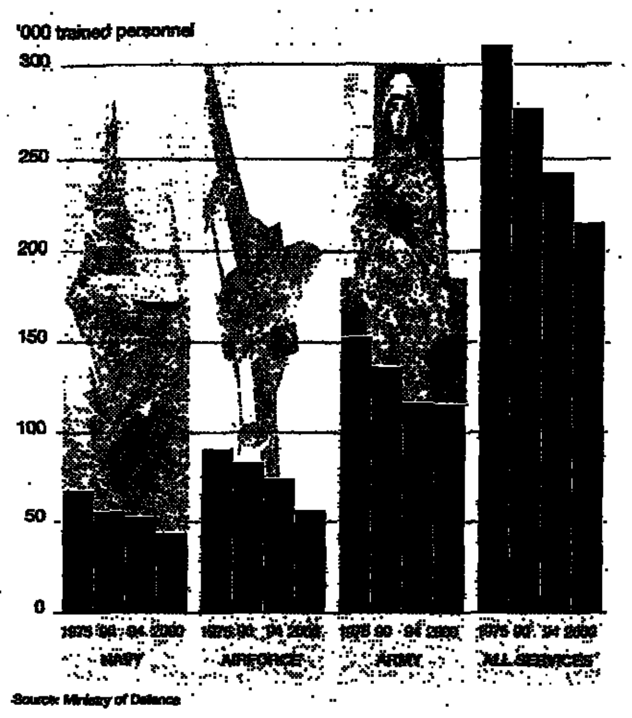
■ Exhibitions Guide

AMSTERDAM
Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily
Rijksmuseum Flowers and Plants: flora and fauna in five centuries of prints and drawings. Ends July 31. Closed Mon
Royal Palace The Fountain of Pallas: this impressive marble statue, made in 1660 by the Amsterdam sculptor Artus Quellien, is on show together with related paintings, drawings and terracotta models. Ends Aug 28. Daily
BERLIN
Altes Museum The Last Days of Humanity: 600 photos, posters, paintings and drawings illustrating artists' responses to the First World War, and including work by Beckmann, Kokoschka, Dix, Picasso, Chagall and Wyndham Lewis. Ends Aug 28. Closed Mon
Kunstforum The Ideal and Nature: watercolours and drawings from the Munich Lenbachhaus 1780-1850. Ends Sep 4. Daily
Ephraim-Palais Berlin Painting from Blechen to Hofer: a selection of the most important 19th and early 20th century paintings from Berlin galleries, starting with the German Romantic artist Karl Blechen and continuing through the Biedermeier period, German Impressionism, Beckmann and other expressionists, and on to the Neue Sachlichkeit. Closed Mon (tel 238 0900)
Haus der Kulturen der Welt Tanzania - masterworks of African sculpture: 400 works from the 19th and 20th centuries. Ends Aug 7. Closed Mon
BONN
Kunst- und Ausstellungshalle The Century of the Avant-Garde in Central and Eastern Europe: 700 works by 200 painters and sculptors, offering a thematic guide to the main artistic developments of the past century. Ends Oct 16. Closed Mon
BRUSSELS
Palais des Beaux-Arts Robert Smithson: retrospective of the American artist, one of the founders of Land Art. Ends Aug 28. Closed Mon
COLOGNE
Wallraf-Richartz-Museum Impressionist Masterworks from Geneva: 40 paintings from the period 1880-1900. Ends Sep 4. Closed Mon
Josef-Haubrich-Kunsthalle Heaven and Hell in the Middle Ages: 200 paintings, documents and artefacts illustrating the medieval view of death and the afterlife. Ends Aug 28. Daily
DIJON
Musée Magnin Sculptors' Designs 1850-1950: a survey of developments in sculptural art from Daumier, Degas and Rodin to Giacometti and Picasso. Ends Sep 11. Closed Mon
ESSEN
Villa Hügel Paris - Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily
FRANKFURT
Schirn Kunsthalle Goethe and Art: 300 paintings, drawings and sculptures ranging from antiquity till Goethe's death in 1832, and including work by David, Schinkel, Caspar David Friedrich, Claude Lorrain, Constable and Turner. Ends Aug 7. Daily
Deutsches Architekturmuseum European Architecture of the Present Day: an exhibition mounted in cooperation with the Fundacio Mies van der Rohe in Barcelona. Ends Oct 10. Closed Mon
HAMBURG
Kunsthalle Masterworks from the Guggenheim Collection: 60 paintings by Picasso, Braque, Dubuffet, Bacon, Chagall, Kandinsky and Miró. Ends Sep 25. Closed Mon
LAUSANNE
Musée d'Art Contemporain Contemporary Picasso: 80 works 1946-1971, including 30 paintings and a dozen sculptures. Ends Sep 25. Daily
Musée Olympique Miró: 41 sculptures covering his entire career, plus 13 prints from the 1960s and 70s. Ends Sep 4. Daily
Fondation de l'Hermitage Zborowski's Painters - Modigliani, Utrillo and Soutine: 100 works conjuring the aesthetic favoured by the early 20th century Parisian art dealer. Ends Oct 23. Closed Mon
Musée des Arts Decoratifs Contemporary Studio Glass from Japan: 100 works created in the past two years by 23 artists. Ends Aug 14. Closed Mon
LONDON
Hayward Gallery Bonnard at Le Bosquet. Ends Aug 29. Daily (advance booking 071-928 8800)
Tate Gallery R.B. Kitaj retrospective. Ends Sep 4. Daily
Marlborough Fine Art R.B. Kitaj: recent pictures and graphics. Ends Aug 20. Closed Sun
Victoria and Albert Museum Pugin - A Gothic Passion: retrospective of the 19th century British designer. Ends Sep 11. Daily
National Gallery From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily
Royal Academy of Arts Impressionism to Symbolism - The Belgian Avant-Garde 1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200)
British Museum German Printmaking in the Age of Goethe. Ends Sep 11. Indian Paintings and Drawings from the Collection of Howard Hodgkin. Ends Aug 21. Greek Gold: Jewellery of the Classical World. Ends Oct 23. Daily
MADRID
Centro de Arte Reina Sofia Gerhard Richter: 100 works by one of the key figures in contemporary German art. Ends Aug 22. Closed Tues
MUNICH
Haus der Kunst Elan Vital: 400 works exploring the links between Kandinsky, Klee, Arp, Miró and Calder. Ends Aug 14. Closed Mon
Kunsthalle der Hypo-Kulturstiftung El Dorado: 300 gold and ceramic treasures from pre-colonial Columbia. Ends Sep 4. Daily
Stadtmuseum Paul Strand: the first major European exhibition devoted to the celebrated American photographer, who died in 1976. Ends Aug 7. Closed Mon
Villa Stuck Dream Time - Tjukurrpa: Art of the Aborigines of the Australian Desert. Ends Oct 16. Opens next Mon
NEW YORK
Metropolitan Museum of Art Petrus Christus: 22 paintings by the 15th century Netherlandish master, renowned for the jewel-like luminosity of his work. Ends July 31. Picasso and the Weeping Women. Ends Sep 4. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. Dali - The Early Years. Ends Sep 18. Closed Mon
Museum of Modern Art From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990. Ends Sep 13. Closed Wed
PARIS
Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues
Centre Georges Pompidou Joseph Beuys retrospective. Ends Oct 3. Closed Tues
Musée d'Orsay Nadar, Photographs 1854-65: Nadar was a friend of writers and painters, whose portraits raised photography to the category of creative art. Ends Sep 11. Closed Mon
● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.
SPEYER
Historisches Museum der Pfalz Romanov Tsarist Treasures: 200 pieces from the St Petersburg Hermitage, including jewellery, objets d'art, paintings, furniture and costumes, collected during three centuries of Romanov rule in Russia. Ends Aug 14. Daily
STOCKHOLM
Nationalmuseum Swedish Glass pre-1900 and Today: an exhibition focusing on glass for the table, including a Kungsholm goblet from the late 17th century. Ends Sep 4. Closed Mon
VENICE
Antichi granai della repubblica China in 220 BC - The Warriors of Xi'an: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca)
Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily
VIENNA
Jüdisches Museum Max Oppenheimer (1885-1954): retrospective of one of the most neglected figures in early 20th century Austrian art. Ends Sep 18. Closed Sat
Kunsthistorisches Museum Albrecht Dürer: a selection from the museum's collection of work by the early 16th century German master. Ends Oct 30. Closed Mon
Künstlerhaus Art and Dictatorship: an exhibition comparing Hitler's, Stalin's and Mussolini's ideas of degenerate art in paintings and sculpture. Ends Aug 15. Daily
WASHINGTON
National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including LeWitt, Christo, Ryman, Beuys and Flavin. Ends Nov 27. Recent Prints and Sculpture from Gemini G.E.L.: a selection of work from the acclaimed contemporary art workshop in Los Angeles. Ends Oct 2. Ornament in European Graphic Art 1300-1800: more than 90 prints, drawings, illustrated books and decorative objects. Ends Aug 21. One of the jewels of the permanent collection, Jan van Eyck's Annunciation, has returned to public view after a two-year restoration. Daily
National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Mary Vaux Walcott: 50 watercolours by the early 20th century naturalist, explorer and artist. Ends Aug 29. Daily

Some fight left in them

Bruce Clark on reaction to the latest round of UK defence cuts

UK armed forces: cutting the fat



Source: Ministry of Defence

Something unusual is going on in the rarefied world inhabited by the UK's most senior generals, admirals and air marshals.

They are not complaining as loudly as might have been expected about the government's latest economy drive, which will cost the defence establishment more than 18,000 jobs and leave the forces even smaller than predicted by the end of the decade.

But this does not mean that the atmosphere at the top of Britain's armed forces is free from anxiety. While generally accepting the cuts announced last week, the top brass is concerned about the next round of reductions which – despite official protestations to the contrary – is widely expected within three years.

They take some comfort from the fact that the measures announced by Mr Malcom Rifkind, defence secretary, fell hardest on civilian employees of the defence ministry, who lost 7,100 jobs. Service chiefs will shed few tears about the trimming of a civilian bureaucracy to which they lost power in the 1980s under Mrs Thatcher.

Mr Rifkind even won some friends in the forces by planning the MoD cuts after wide consultation across the services, and restoring to the service chiefs some of the responsibilities they lost under his predecessors.

As one distinguished general privately commented: "There is real hope now that the principle of delegation to the service chiefs will now be applied – and there is quiet rejoicing about the reduced size of the Ministry of Defence."

The other main victim of the cuts is the Royal Air Force, which will shed 7,500 jobs, as activities such as maintenance and training, previously undertaken by airmen, are taken over by civilians. But even air force chiefs – who claimed to have warded off much deeper cuts than were finally decreed – have acknowledged the RAF was overmanned, compared with such formidable air powers as Israel and Sweden.

So the job losses decreed by Mr Rifkind have been accepted with relatively little complaint. Yet oddly enough, the minister's accompanying "sweetener" of a £5bn weapons procurement package has not laid to rest the forces' fears about Britain's fighting strength in the medium term.

Virtually all the decisions announced by Mr Rifkind – some £2.4bn worth of firm orders (for tanks, minehunters and ammunition) and £2.5bn in potential orders (for frigates, submarines and cruise missiles) – were confirmations of purchases already announced in principle.

The MoD now admits that it could not have afforded the items on its shopping list unless its newly announced drive to cut unnecessary costs and staff jobs had been so wide-ranging.

This principle of trading weapons purchases for job losses has worrying implications for the other procurement decisions to which the government is committed in principle but for which it has not earmarked precise sums.

These "decisions in principle" include the commitment to buy 250 Eurofighter aircraft for at least £9bn from the year 2000; 12 new-generation frigates for a total of about £3bn; and in the immediate future, new attack helicopters.

In practice, the government may not be able to afford these systems unless it is prepared to make further economies in personnel and other military overheads.

Mr David Clark, Labour defence spokesman, reckons that by 1998-99, there will be a £3.5bn shortfall between available revenues and total defence spending commitments. "The defence ministry knows this to be true, but is keeping it quiet," he maintains.

Fears over the looming shortfall are shared by many senior officers.

Mr Rifkind dismisses these concerns. He claims that even after last week's cuts, Britain's fighting capacity remains unimpaired or even enhanced. This view is supported by the reputation enjoyed by the UK's forces at home and abroad. The army's stock has surged as a result of its performance in Bosnia, where a tiny UK force of 3,000 men has played a crucial role in bringing relative normality to the lives of hundreds of thousands of people.

This has been achieved by the army's employment of the old-fashioned – not to say imperialist – skills of bluff and brinkmanship in the handling of conflict; and it has won the army some new friends in unfamiliar quarters, beginning with the Labour party.

The army's influence in Nato is also at a high point. UK officers run the showpiece of the alliance: the Allied Rapid Reaction Corps, which brings together the forces of up to 12 nations for any purpose, from humanitarian aid to high-intensity tank warfare.

But as service chiefs are aware, the UK's prowess in military affairs rests on thin ice. The latest round of cuts will leave the ice a little thinner; and the next round could bring the forces to breaking point.

Prestigious as it is, engagement in Bosnia is stretching the forces to the limits of their capacity. For example, the deployment of ships in the Adriatic is close to exhausting available navy resources.

Only by the skin of their teeth were the UK forces able to transport one extra battalion to Bosnia earlier this year. The operation involved 36 flights by the RAF's ageing fleet of Hercules transporters, and the use of three of the navy's five landing ships, one of which was sent for overhaul this week.

An acutely embarrassing situation could arise if the next Bosnia-type crisis breaks out in the next two years when the forces are in the middle of a painful transfer from military to civilian logistics. Mr Michael Clark, of London University's Centre for Defence Studies, says the government is taking a "calculated risk" that it will not be wrong-footed by an unexpected crisis.

The UK's last two wars – in the Falklands and the Gulf – were unpleasant surprises and left in smithereens the conventional wisdom of the moment about defence needs.

In both conflicts, the government benefited from good luck. In the Gulf, the forces had just enough time to prepare their weapons for battle, and the war was short enough to avoid difficult questions about ammunitions supplies.

Politicians may have forgotten the role of luck and the dangers of assuming it will hold; but generals and admirals have not. While they have adopted a relatively low-key response to the current round of cuts, they warn that further sacrifices in manpower and weaponry would incur risks for which they will not be held responsible.

Joe Rogaly

Starter guns 'n' roses

When Mr John Smith died, it seemed plain that if the Labour party elected Mr Tony Blair as his successor we would have to consider voting centre-left. It has, and we are. Considering, that is. The electorate will do a great deal of considering over the coming two to three years. It is likely to be presented with an agonising choice, between a reformed Labour party that it can probably trust, and a stabilised Conservative government that may be stale and untrustworthy, but is at least a known quantity. The Liberal Democrats will be squeezed.

If the election was held next Thursday many of us would take a chance on Mr Blair. The temptation would be overwhelming. Turfing the present government out would be like removing tight shoes. As to 1996-97, who knows? The campaign, which we shall have to endure for 24 or maybe 30 months, starts now. It is going to be one hell of a game of poker. In one of the key pots the hole card will be covered by the flat paw of Mr Eddie George, governor of the Bank of England.

The quasi-independence of the Bank is something new in post-1945 politics. Management of the economy is no longer solely a matter between the prime minister and/or the chancellor, as it was in the Thatcher-Lawson years. The publication of the minutes of discussions on monetary policy between Mr Kenneth Clarke and Mr George gives the latter huge influence. This is not a consequence of Mr Clarke's far-sighted statesmanship. It happened because when the elected politicians ran affairs the policy crumbled in their hands, as in 1988 and again on Black Wednesday. If, as he surely will, Mr George argues strongly for an increase in interest rates during the next few months he will be almost impossible to resist, particularly if he carries Mr Clarke with him. Mr John Major may protest that raising the cost of mortgages could damage his government's health. Tough.

The prime minister does show some strong-ish cards. On Wednesday he tidied his cabinet, and made extensive changes lower down. Let us just say, "fine". We do not need to spend time on the merits of one set of nonentities as against another. Nonentities? I exclude Mrs Gillian Shephard, the new education secretary. She is sensible, a real person. I have great expectations there. The rest of the list is too dull to rehearse at the beginning of the political holidays. There will be plenty of time to debate the merits of shooting this or that grey squirrel when the season resumes in the autumn. Here is the executive summary: the purpose of the reshuffle was to win the favour of the Tory party, and keep order among backbenchers by feeding their dreams of preferment. It has apparently achieved that.

If the election was held next Thursday many of us would take a chance on Blair. The temptation would be overwhelming

Partly for this reason, Mr Major seems likely to stay in office. His party is still divided, but he has constructed a European policy that minimises those divisions. It may not last. The European sticking-plaster, like his premiership, is a product of the continued support of the foreign secretary and the chancellor. The former will probably retire next year; the latter is a recognised rival for the top job. For the moment, however, both are in place. The run of political misfortune has not quite come to an end, but, in spite of the apparent willingness of a couple of Tory backbenchers to sell parliamentary questions at a grand a time, it seems to be dribbling out.

There are other not-so-bad cards in Mr Major's hand. The recession is over, although the voters stubbornly refuse to recognise this. Perhaps too many personal bank balances are still receding. The Treasury is aware that it will be called upon to forecast a sufficient recovery in the public finances to allow for tax cuts in the Budgets of 1995 or 1996. Against that the Conservative party lied copiously about its instincts on taxation in 1992. Some voters may remember this next time.

Mr Blair is ostensibly better placed. He shows aces up and presumably has more in the hole. His victory yesterday demonstrated that the Labour party is now the property of the modernisers, and he their master. He won the votes of 60 per cent of the members of the Westminster and European parliaments, almost as high a share of constituency party members' support, and more than half the trade union ballot. We can, however, discard the latter. It is history. With less than a fifth of those eligible bothering to take part, the vote of union members was an anachronistic appendage to what was otherwise a remarkable democratic primary.

The new leader's acceptance speech was suitably inspiring. It could have been drafted in Little Rock. Mr Blair's campaign is reminiscent of President Clinton's. The new, telegenic, young leaders offer hope and renewal after the bumbling years of Bush/Major and the earlier, fearsome, reigns of Thatcher/Reagan. Mr Clinton as president is not an encouraging role model, but the way he ran for office has one overwhelming advantage. He won.

It is customary to demand of Mr Blair that he produce some specific, costed policies. It may be that just as it is the job of commentators and his political opponents to ask this of him, so it is in his and Labour's interests to resist, to withhold hostages to fortune. His speech yesterday was his, not ours. It was addressed to his party, reasonably enough, and to the wider anxieties of middle England. "The task of national renewal is to provide opportunity and security in this world of change," he said. There were crunchier nuggets: "we do not want people living in dependency on state handouts" and "we will not run the quango state of the Tories with different managers, we will get rid of it and return power to local people."

This first big set-piece speech pleased his audience of Labour and union dignitries. Their applause expressed a degree of unity of purpose traditionally reserved for Tory leader-worship gatherings. There was no old-style, horse-and-buggy, nationalising, taxing, high-spending socialist blather in it. Mr Blair talked, as the best Conservatives do, of "one nation". He referred, as business leaders do, to Labour's "mission". He rejected "the student gospel of Marxism". It was an impressive start. In due course, someone must call, so that we can see the rest of his cards, face up.

Joe Rogaly will resume his column in September

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Overlooked

From Professor Geoffrey Maynard.

Sir, Professor Wynne Godley and Mr William Milberg (Letters, July 18) appear to overlook the simple fact that the US's foreign indebtedness will continue to rise as long as its domestic saving is insufficient to match its domestic investment. The US's trade problem (if there is one) lies in the country's low propensity to save, not in an overvalued exchange rate.

Geoffrey Maynard,
Investcorp,
Investcorp House,
65 Brook Street,
London W1Y 1YE

TV lead

From Mr David Docherty.

Sir, ITV's claim of a 50 per cent increase in its lead over BBC1 misrepresents the facts ("ITV claims advance over Sky channels", July 20). The reverse is true. The gap so far this year has narrowed. BBC1 has held its ground against the ever-widening choices offered by satellite and cable and ITV has lost some share.

Moreover, BBC1 has achieved this stability with a much more diverse schedule than ITV – in which religion, current affairs, challenging documentaries, and music programmes retain a secure place in peak-time. As a footnote, your story also ignores the fact that the terrestrial channels take a 65-70 per cent share in cable and satellite homes.

David Docherty,
head of planning
and strategy,
BBC Television,
Television Centre,
Wood Lane, London W12 7RJ

Aid to Air France will hit emergence of low-cost airlines

From Mr John Parr.

Sir, We here disturbed to read the report by Emma Tucker and John Ridding on Air France's bid for further state aid ("Brussels set to back state aid for ailing Air France", July 21).

The further propping up of this carrier will do as much harm to air transport users as it will to competitor airlines. Under pressure from the French government, Air France is flying routes that are not economically viable given its cost structure. This not only undermines the profitability of current competitors but also deters the emergence of new low-cost airlines.

It is vital that the Commission requires Air France to make big cuts in capacity. In markets which are not overshadowed by a state-supported carrier we are now witnessing a significant number of new services, often provided by new regional airlines.

These carriers must be able to establish themselves now, as air travel growth resumes, if they are to stand any chance of longer-term survival. The provision of more state aid can only hinder them and will for the foreseeable future deny users the full benefits of liberalisation.

John Parr,
director general,
Air Transport Users' Council,
5th floor, Kingsway House,
103 Kingsway,
London WC2B 6QX

Mail idea misses point

From Mr Frank Knowles.

Sir, David Parker's argument ("Personal View, July 14) that higher postal delivery costs in rural areas should lead to higher charges for people living in the country seems to miss an essential element in the postal service – it is the sender of the letter not the recipient who pays the postage. Are the increased delivery costs to be borne purely by people sending letters to the country, or is he suggesting that a rural dweller sending mail from the country to a city should pay more based on increased collection costs? There are good economic reasons for keeping a uniform letter rate, not least the significant costs saved by the simplicity of the system, which Mr Parker seems to ignore.

Mr Parker also suggests that "those who would prefer a better service are given no opportunity to pay for it unless they resort to expensive premium services such as Datapost." Surely Datapost is a shining example of applying the cost-based charging system. If the Post Office can offer a "better" service without charging premium prices or cross subsidising other operations I for one will be a satisfied customer.

Frank Knowles,
Druce Croft,
Clavering, Essex CB11 4QP

A route to give more power to the people

From Mr Paal Myhrvang.

Sir, In a representative democracy, individuals are elected by the will of the people. This responsibility may often create dissatisfaction among the very people the representatives have been elected to represent. In light of this, Charles Leadbeater and Andrew Adonis, in their article "Power to the people" (July 15), put forward persuasive arguments for greater involvement of the electorate in the decision-making process.

Appropriately, in a world where information flows freely, technology is available to allow electronic voting and, most importantly, the voting population are highly educated individuals very much capable of taking many of the decisions, a case for stronger influence of direct democracy is present. Leadbeater and Adonis' remedies, however, will not do much to resolve the problems. True, voter vetoes in the form of referenda will induce a greater degree of responsibility of the representatives, but this suggestion, along with the two others, voter juries and voter feedback, are rather more likely to fuel the already destructive tendency of voters' resentment of politicians. This will exacerbate further the efficiency of decision-making. The first proposal will have this effect through leaving decisions open to reversal as the veto will, by definition, be imposed post-decision. The second one will let a body which is very likely to be totally unrepresentative of the population advise on decision-making, only to be "overruled" by the representative body.

A better approach would be to introduce a clear division of powers between the people and the representatives, and let the decisions be made irreversibly by the people in those areas they are given the power to do so. Ideally, these powers would cover areas where representatives today have the power to prevent the transfer of, or even increase, their own powers. This would, for example, be relevant in a transfer of a national parliament's powers to a supranational body. The people should, furthermore, have a strict procedure under which they can transfer more powers to or from their own hands.

Paal Myhrvang,
Postboks 163,
Nedre Torke,
2801 Gjorvik,
Norway

Subsidised elegance – but can you bank on it?

From Mr David Sawers.

Sir, it is obvious that Clement Crisp considers that one purpose of government subsidies to the arts is to foster gracious living ("The decline and fall of elegance", July 18). But if the objective is to ensure that the audience at the Royal Opera House is dressed in a style that is appropriate to the faded elegance of that Victorian building, surely it would be inefficient to give the management of the opera house a larger subsidy: experience suggests that it would spend the extra money on more lavish productions rather than cheaper seats, or fewer sales of drink and food.

Subsidies to the audience are more efficient than subsidies to the managers, and in this case they should be related to the audience's dress. The Royal Opera House, and other theatres, should be awarded additional subsidies so that they can offer discounts on ticket prices to those who guarantee to attend in appropriate clothes.

Such discounts could be graded to the standard of dress worn – say 25 per cent off for evening dress and 15 per cent for suit and tie, with special discounts for those who wear clothes from a list of designated tailors and designers.

The National Lottery would be the obvious source of funds for such additional subsidies. What would be more appropriate than to take money from the proletarians who are likely to be the biggest users of the lottery, because they are too thick to calculate the odds against winning, and give it to those people who appreciate the finer things in life. It is, after all, the principle behind the government's existing plans to use revenue from the lottery to increase its support for the arts.

David Sawers,
Crosby,
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton,
West Sussex BN16 1PP

From Mr Malcolm London.

Sir, Re discussion on "The decline and fall of elegance", the governor of the Bank of England, Eddie George, is photographed (July 19) emerging from a meeting on Monday with the chancellor of the exchequer at 11 Downing Street, wearing a blazer and flannels. Next week, shorts and an Hawaiian shirt?

Malcolm London,
St Andrew's House,
20 st Andrew Street,
London EC4A 3AD

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Slender thread in Strasbourg

Mr Jacques Santer, narrowly confirmed yesterday as the next president of the Brussels Commission, has been trying to muster support from a wide variety of quarters. Last week he declared his attachment to decentralised decision-making and EU enlargement. This week, speaking to the European parliament before yesterday's vote, he emphasised his backing for economic and monetary union and EU social policy.

Since he was nobody's first choice, it is not surprising that Mr Santer's espousal of well-meaning Euro-orthodoxies failed to fire parliament's full-hearted enthusiasm. After the mismanagement of the succession to Mr Jacques Delors, governments should now be in no doubt of the flaws in the method of selecting the person who represents Europe within the continent and on a wider stage. When Mr Santer's successor is chosen, presumably in 1999, it must be through an open rather than a closed elective process.

By upholding Mr Santer's appointment, yesterday's vote has none the less rescued European leaders' credibility. This will have been a particular relief to Chancellor Helmut Kohl. The chief champion both of Mr Santer and of giving the parliament more influence, Mr Kohl could have been badly damaged had the cup used to anoint Strasbourg with power been flung back in his face.

Yet the narrow margin also emphasises the slender thread on which the EU's constitutional arrangements are hung. Having won "co-decision" rights with the Council of Ministers, the parliament has much more say over European legislation. It is still only at the beginning of learning how to deploy this extra clout. In view of increased parliamentary fragmentation after last month's elections, its difficulties in acting predictably and cohesively should not be underestimated.

The assembly has still a long way to go in making itself less remote from and more accountable to European electorates. These aims will not be served if it gives further evidence of the sort of debatable judgment already displayed in its veto on Tuesday of telecommunications liberalisation. More clashes with governments may be in store, for instance in the budgetary field, where many MEPs' desire for more spending to combat unemployment may collide with finance ministries' attempts to cut fiscal deficits. Unless MEPs reserve their displays of muscle for issues of genuine merit, parliament could become its own worst enemy.

A test of Strasbourg's mettle centres on the preparations for the 1996 conference to review the Maastricht treaty. Since no government at present wants to take a high-profile role here, parliament has an ideal opportunity to map out an agenda that would take account of electorates' scepticism about some Maastricht aims, yet would also allow the EU to become both wider and more integrated. Taking the lead in the 1996 debate would be the best way for parliament to play a constructive part in shaping Europe's future.

Atlantic sinks

It is hard to believe that the financial collapse of Atlantic Computers – which also caused the demise of its parent, British & Commonwealth – was only four years ago. The story, so trenchantly retold yesterday in a DTI report, belongs to a distant age.

The chief protagonists in the Atlantic/B&C tale are the late John Foulston, the founder of the computer company who died in a motor-racing accident, and John Gunn, who for a while transformed B&C into a seemingly dynamic financial services group.

Mr Foulston and his successors constructed an elaborate house of cards out of Atlantic, which was founded in 1975, came to the stock market in 1983 with a value of £40m and was eventually sold to B&C in 1988 for £408m.

Throughout its history, questions had been raised about whether Atlantic's profits were being inflated by inappropriate accounting policies. Yet it was not until 1990 that the truth emerged, when it collapsed with a deficiency in excess of £90m.

As the DTI inspectors say, if the group had used prudent accounting policies, it would probably never have been able to report a profit throughout its existence. Yet between 1983 and 1988, it reported aggregate pre–tax profits of £127.6m.

This deception was made possible in part because of the inadequacies of accounting rules, many of which have since been reformed. However the inspectors believe a more important factor lay with the City firms, in particular Spicer and Pegler, Atlantic's auditor, which too readily placed confidence in half truths provided by Atlantic directors about potential leasing losses.

B&C's directors, notably Mr Gunn, the chairman, and Peter Goldie, the chief executive, are also blamed for acquiring Atlantic without having a sufficiently deep understanding of it. After the deal went through, Mr Gunn, Mr Goldie and the finance director, Mr Rusty Ashman, quickly learned about Atlantic's appalling financial condition, but then prevaricated for months before disclosing the disaster to outside shareholders. Though the inspectors say that they did not act dishonestly or seek to defraud anyone, the DTI is probably right to seek their disqualification as directors.

Though the market conditions which allowed Atlantic to prosper are long passed, the report uncovers one area of City of London practice which needs urgent reform. BZW, which was B&C's merchant bank adviser, allowed its name to be used to endorse the wisdom of the Atlantic takeover in B&C's letter to shareholders about it. Shareholders take comfort when such assurances are given by a merchant bank, yet the level of investigation which a merchant bank carries out when giving such an endorsement is minimal. BZW did not even carry out the normal minimum – but the inspectors suggest that even if it had, it might not have uncovered the truth about Atlantic.

Serb conundrum

The fate of the latest peace plan for Bosnia is unfolding in a predictable way. Neither side likes it, but the Bosnian government accepted it in order to avoid being blamed for its failure. The Bosnian Serbs have not accepted it, but have played for time by demanding clarifications, in a manner reminiscent of the IRA.

The authors of the plan – Britain, France, Germany, Russia and the US – are agreed in finding the Serb response unsatisfactory, but not on how to react to it. The US, backed on this point by the EU mediator, Lord Owen, is urging the contact group to stand firm and penalise the Serbs as the recalcitrant party. The Russians, backed by the UN mediator Thorvald Stoltenberg, believe that peace depends on finding answers to at least some of the questions the Serbs have raised.

No doubt there will be talks on these issues, formally or informally, between now and July 30 when the contact group is due to meet at foreign minister level. But the US is surely right to warn against falling for the Serb tactic. Once again the "international community" has a credibility problem, which will only be made worse if, because of its internal divisions, it allows yet another deadline to be ignored with impunity.

Part of the trouble is that the Bosnian Serbs are shielded by two levels of intermediaries. First there is Serbia itself, in the person of President Milosevic. Although he carries a heavier weight of responsibility than any other single person for the whole Yugoslav tragedy, many people involved in the diplomatic process, including notably Lord Owen, have convinced themselves that he is now genuinely anxious for peace and able to bring the Bosnian Serbs to heel if only he is given time and treated with respect. This dubious proposition should not be taken on trust. If Serbia wants to escape feeling the world's displeasure itself, it must either deliver the Bosnian Serbs' assent to the proposed settlement or co-operate in visiting the world's displeasure on them.

The second level is the Russians, whom many western leaders are anxious to "keep on board" because of their supposed influence over the Serbs. Much the same reasoning applies to them: if they cannot demonstrate their influence by delivering Serb assent to the peace plan they have themselves helped draw up, their objections to measures aimed at coercing Serbia into a more co-operative attitude should be brushed aside.

Among those measures, lifting the arms embargo on Bosnia has become "a last resort" even for the US defence secretary. A more credible deterrent against Serbia must be the threat to confine it indefinitely to the fringe of the world community and the world economy, so long as it supports the forcible exclusion of the Bosnian majority from their homes. Serbia may not be defeated militarily, but it can be quarantined.

No longer as safe as houses

Richard Waters on the repercussions of losses made in the US market for securities based on home loans

Take a $1,500bn financial market, a handful of ambitious investment banks, and a group of incautious investors willing to risk their (or someone else's) money. Add the latest hightec wizardry Wall Street has to offer. Then sit back and wait for external events to take their course – an unexpected rise in interest rates, for instance. Suddenly, you have the ingredients for a market upheaval, 1990s style.

The US's market in mortgage-backed securities, by which many home loans are financed, has provided just such a spectacle in recent months. The latest victim, UK drugs company Glaxo, indicated last week that it had lost about £100m from investments in this and other risky markets. It joins a long list of others which have suffered significant losses on the market – from US investment fund Askin Capital (which has lost a large part of its $600m capital and been forced to file for bankruptcy) to a US subsidiary of Bank of Montreal (whose losses reached $51m), and Kidder Peabody, the investment bank owned by General Electric.

The debacle not only raises questions about risk assessment on Wall Street but threatens to spill over from the financial into the real world. The impact of the upheavals in the mortgage-backed securities market on other bond markets may have slowed US economic growth by forcing up long-term interest rates, though the precise effects are incalculable. As Wall Street's fingers have been burnt, families in the US have found it more expensive to buy their first homes. Some investors in US mutual funds (similar to UK unit trusts) – which have played the market will have lost a small amount of their capital.

The damage mortgage-backed securities has caused seems strange given their seemingly humble purpose of providing money for people to buy homes. Rather than the cash coming directly from a financial institution such as a bank, it is provided by investors who buy bonds. Mortgage payments by home owners cover the interest and principal payments on the bonds. By pooling thousands of such domestic mortgages, Wall Street has created a multi-billion-dollar market which is now reckoned to account for more than $1,500bn, or about half of all home loans in the US.

Problems have arisen because the evolution of these products has not stopped there. Since the late 1980s, the mortgage-backed bond market has been subjected to the sort of financial engineering which has made a new generation of Wall Street traders rich. The theory behind the re-engineering was simple: why not mould the bonds into instruments which would match the needs of particular groups of investors more closely?

This task was achieved with the help of technology developed in the market for derivatives – complex financial instruments whose value is based in part on that of an underlying market. Bonds were pooled and their interest and principal cashflows divided to create new, more exotic financial products.

After the most attractive parts of the bonds have been made into new instruments, the remainder – known as "toxic waste" – is sold cheaply to risk-hungry investors, retained by the investment bank, or perhaps thrown together with odds and ends left over from other pools of mortgages to create more new instruments (some known as "kitchen sink bonds", since a bit of everything has been thrown in).

All these reconfigured mortgage-backed bonds go under the name of collateralised mortgage obligations (CMOs). By some estimates, as much as a half of all mortgage-backed bonds have been converted into CMOs. Because they are sometimes heavily geared, their price can move sharply with changes in interest rates, giving investors more bang for their bucks.

If that was the end of the story, there would be little to distinguish mortgage-backed securities from other fixed income instruments. But the market has a unique feature: when interest rates fall, home owners may pay off their loans and take out a new loan at a lower interest rate. When rates are high, they probably won't pay them off at all.

A failure, by those who design and invest in the products, to predict what homeowners would do in the unusual financial market conditions since last summer has wreaked havoc.

The problems began at the peak of last year's bond market rally. Against most expectations, long-term US bond yields fell to historic lows, as investors grew confident that inflation (the bond-buyer's worst enemy) was no longer a threat. Mortgage rates fell with them. That unleashed a wave of mortgage-refinancing by home owners on an unparalleled scale.

The complex computer programmes used to construct and value CMOs did not predict that people would behave in this way. By paying off their old loans at such a rapid rate, homeowners played havoc with bond prices. CMOs took the brunt of the pain: "Interest only", or IO, bonds (created out of the interest payments from mortgage-backed securities) fell furthest, as investors lost their expected future interest payments. The shock waves were felt from the bond-trading floor at securities house Salomon Brothers all the way to a string of small municipal authorities in Ohio, which had bought IOs.

This spring, it was the opposite story in the mortgage-backed bond market. As US bond yields rose along with short-term interest rates (in turn pushing up mortgage rates) homeowners stopped paying off their old loans. The Mortgage Bankers Association estimates that the value of mortgages refinanced, which reached $550bn in 1993, will fall to just $150bn this year.

With the level of refinancing lower than expected, investors have suddenly found that bonds which had an expected life of, say, two years, are unlikely to be repaid until much later. The average duration of bonds in Salomon's mortgage-backed bond index has jumped from 3.2 years at the beginning of February to more than 5 years.

One indirect result has been a barrage of selling in the US government bond markets. As the duration of mortgage-backed bonds rose, many investors sold long-dated government bonds to hold down the average duration of their portfolios.

The actions of regulators may have worsened the impact. US banks are under pressure to show their CMOs at market value in their accounts. That means that if prices are volatile, there is less incentive to hold such bonds.

Some regulatory pressure has been more direct. Worried about the losses that some supposedly safe mutual funds have taken on complex financial instruments, the Securities and Exchange Commission, which regulates US investment markets, wrote to mutual fund managers earlier this month to warn of the dangers. These funds should work out a way to "dispose of the securities in an orderly manner, consistent with the interests of the funds' shareholders," the SEC said.

The CMO debacle has revealed some of the shortcomings in the way modern financial markets operate. Dealers and investors alike put much trust in the ability of computer-driven analyses to predict what would happen to prices in different market conditions. As things turned out, their assumptions were wrong.

Also, they failed to take account of the risk inherent in tailor-made financial instruments for which there is no ready market. The lack of a market accentuated the price falls. And the fact that many unsophisticated investors, such as local government treasurers, were sucked into the market, is testimony to the poor controls in their organisations and the willingness of investment banks to sell complex securities to people who do not really understand them.

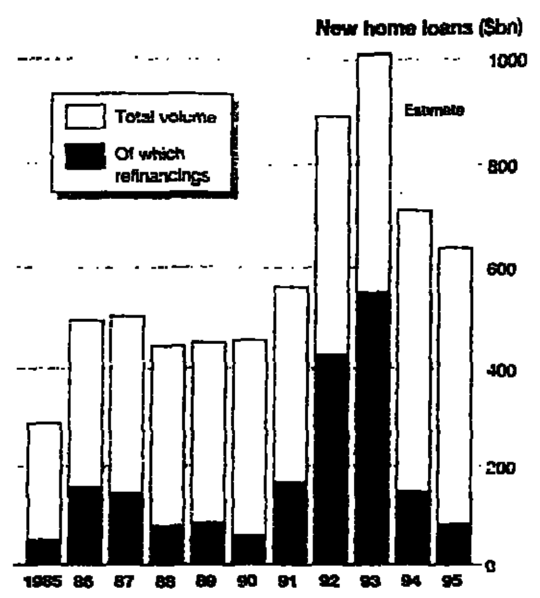
Nor are regulators and policy makers blameless. They failed to pay enough attention to innovations in the CMO market at an earlier stage, and when finally prodded by losses, may have over-reacted.

Like all market upsets, this one has created opportunities for contrary investors. Other markets have seen turn-abouts: the US junk bond market, pronounced dead at the end of the 1980s, roared back to life with a record year in 1993. Investors who bought junk bonds at knock-down prices have made their fortunes. The same is true of some CMOs, for those brave enough to buy them. But in the current climate, there are few takers for toxic waste.

Mortgage-backed securities: trouble in homes

Mortgage-backed bonds ownership ($bn)

	1991	1992	1993
Banks	277	306	337
Life insurance companies	185	244	268
Pension funds	157	173	194
Mutual funds	79	105	123
Savings and loans	157	156	163
Others	385	420	427
Total	1240	1404	1512



Source: Mortgage Bankers Association of America, Inside Mortgage Securities

The great transition robbery

PERSONAL VIEW

Of more than 30 countries in the Soviet-socialist bloc, few have made a good start on stabilisation and transition to the market. Only eight – Poland, the Czech Republic, Hungary, Slovenia, Estonia, Latvia, Lithuania and the surprise-case, Albania – have controlled inflation, stabilised their currencies, liberalised prices and international trade, and privatised the bulk of small retail and service outlets. Most of them are also seeing a turnround from negative to positive economic growth.

So why have the others not done the same? The simple answer is that powerful elites do not want reform. As central command disappeared, the old Soviet "patriarchs" – directors of enterprises and state farms, and local political bosses – gained autonomy. At first, the expected reform measures – privatisation, opening up of markets to foreign competition and diminution of subsidies – threatened their status. Where reform measures were undertaken quickly, those members of the elite who survived were forced to behave roughly like competitive capitalists. Elsewhere, delays in proceeding with reforms gave them time to transform themselves into monopolist-capitalists.

Under the in-between economic arrangements, the state provides subsidies and cheap credits, allegedly to keep the economy going and people on the job. This not only causes inflation. It also provides the directorate with influence and with funds to engage in side operations, such as purchasing titanium, magnesium or petroleum cheaply, obtaining licences from their old colleagues, and then selling the commodities abroad at a tidy profit. This causes materials shortages, corruption, capital flight, an inflow of Mercedes-Benz cars and popular discontent.

The patriarchs partially assuage discontent by ensuring workers have jobs and receive enough to survive. Nevertheless, the discontent finds an outlet, with workers saying: "You pretend to be paying us less even than in Soviet times; and we pretend even less to be working." The result is more absenteeism, less effort and even less production. More worrisome, investment in production capacity is not taking place, since commercial operations are far more profitable.

Having been given the time to recover from the shock of communism's overthrow, the old-new elites now find it in their interest to go neither back to state command, nor forward to competitive markets. From a socialist-patriarchal society, where the elite's promise was "you have entitlements, while we have privileges", the lagging countries have moved to a rentier-patriarchal society, where the elite says "you are still assured of minimal entitlements, while we profit maximally from the new opportunities".

The frequent characterisations of the result as a corrupt society, with a few wealthy robber-barons, express the moral indignation of the people. But beyond moral judgments, a far more important conclusion emerges: the new rentier-patriarchal elites are, in general, opposed to further reform. They are unlikely to look kindly upon measures to break up monopolies, raise rates of interest, curtail easy credits, or liberalise prices and trade, all of which would undermine their privileged position.

Popular opposition to further reform is increased by two contradictory perceptions. Since the elites share a small part of their gains with workers, the latter support them in lobbying for preferential treatment. At the same time, the monopolistic capitalism people observe and abhor is mistaken for the competitive capitalism advocated by reformers. Consequently, popular resentment is directed against market reforms.

Economies do not disintegrate overnight, so this limbo can continue for a long time. Might the elites realise they are killing the goose that lays golden eggs and so support reform? There is a chance, but only for partial reform.

At some point, they will recognise that excessive cheap credit and subsidies cause inflation, which hurts even the new capitalists in the long run, since it eats away at the production potential of the economy. Soon – in some cases already – privatisation, even of large-scale enterprises, will also be in the interest of the new capitalists, since they can become large shareholders.

If competition were allowed to sort out the efficient capitalists from the inept, this would help the economy. But this is a big 'if'. The elites may see stabilisation and privatisation as in their interest, but are unlikely to consider liberalisation in the same way, since it would threaten their cosy monopolies.

The best-case scenario is one of an economy that is privatised, monopolised and highly regulated by government. As in many Latin American and African examples, what is likely is not successful stabilisation, but a series of failed attempts. It is natural to hope for something better. But wherever the opportunity to move forward quickly has been lost, the reality may be that the transition is frozen.

Oleh Havrylyshyn

The author is alternate executive director for Ukraine at the International Monetary Fund

OBSERVER

Clothed in secrecy

■ So what will Central Intelligence Agency director James Woolsey be wearing today? Fridays at the CIA are now "dressing-down" days. Not more recriminations over the Aldrich Ames spy debacle, but an experiment in casual dressing.

It's the latest effort by Woolsey to alter CIA culture from that of a closed, white male fraternity, into something a little more, well, casual.

Supporters of this trend, now creeping across US life, claim it enhances team spirit and productivity. Others suggest that since most people slack on Fridays anyway, they may as well look the part.

Woolsey says the spooks may wear red suits or stand on their head for all he cares – just so long as they do a good job.

But even though a renowned demon on the ballroom floor, Woolsey is unlikely to turn up today in his patent-leather dancing pumps. Too slippery by far . . .

Shuffle off

■ At last, good news for the UK's Tory government. The annual report from the Invest in Britain Bureau – part of the department of trade and industry – yesterday showed a record number of new jobs created by inward investment last year.

How satisfying for Tim Sainsbury who, as junior minister at the DTI wrote the report's foreword. Only one hiccup. Sainsbury was a victim of John Major's government reshuffle – and thus absent from the presentation.

Great score!

■ Not all Brazilians are delighted with the triumphant return of the national soccer team. Osiris Lopes, head of Brazil's Internal Revenue Service, says he's resigning because the players and their hangers-on brought back an Aladdin's cave of US consumer goods – and were not required to pay the normal import taxes. Their booty – some 12 tons – includes freezers, video recorders, gymnastic equipment, computers and a photocopier.

One of the main planks of the Brazilian government current economic reform programme is a crackdown on tax-dodging. This latest event, says Lopes, is "the last straw".

Chirac snaps

■ Jacques Chirac is no stranger to the front covers of French magazines; as former prime minister, present mayor of Paris and prospective presidential candidate, he graces them continually. But it's strange to see

'This veto looks like the work of a professional'

him apparently fare-dodging – by vaulting over a Metro turnstile on the front cover of this week's *Le Nouvel Observateur*. The headline? "The France that Cheats".

Chirac is not named on the cover or the accompanying story, which argues that tax evasion, fare dodging and other fiddles are now commonplace in France. But it's him all right.

His office says it was taken "in good humour" 18 years ago during a Metro equipment breakdown, when a younger Chirac leap-frogged over a ticket turnstile.

Chirac doesn't see the joke. He has accused *Le Nouvel Observateur* of "serious violation of press ethics" – and is suing.

Eyeballing

■ At last, Britain and China begin to see eye-to-eye over Hong Kong. Don't get your hopes up, though.

It seems governor Chris Patten intends donating his corneas – after his death – to an international medical organisation, which operates a flying eye hospital.

Oddly enough, Zhou Nan, China's *de facto* ambassador to Hong Kong, apparently made the same pledge yesterday while visiting the same flying eye hospital – built into a DC-10 airliner – at Hong Kong's Kai Tak airport.

They really should be grafting at higher things.

Short circuiting

■ The Kafkaesque problems besetting Russia's ailing enterprises have taken a new twist. Normally, energy suppliers are the main victims of non-payments. But one of the country's biggest oil producers had its electricity cut off on Wednesday – for not paying bills of Rbs150bn.

The Siberian oil giant, Nizhnevartovskneftegas, says 900 of its oil wells have stopped production after the electricity authorities cut it off. A special oil and fuel ministry commission is now heading east from Moscow to settle the dispute.

Nizhnevartovskneftegas reckons it in turn is owed more than Rbs300bn – some $150m – for unpaid oil bills.

What was that about paying pipers and calling tunes?

Well-informed

■ Charles Cox, head of public sector business at the UK information technology company Hoskyns, has never concealed his criticisms of the government's approach to contracting-out and its failure to deliver the potential benefits.

Many others in the IT world agree, but have kept quiet, fearing that to speak out would count against them.

But having the courage of one's convictions doesn't always land you in hot water; Hoskyns has just won the contract for providing all IT services at the DTI.

Thumper's home

■ Was there a subliminal message in the necktie worn by John Prescott's aide, Ian McCartney, at yesterday's big bash in London to anoint Tony Blair as new leader of the Labour party?

The MP for Makerfield's tie incorporated the cartoon character Bugs Bunny, in deference to the new deputy Labour leader's nickname, Thumper.

And its label? "Loony Toons".

FINANCIAL TIMES
Friday July 22 1994

Youngest-ever leader wins mandate for move to political centre

Blair to head UK Labour party

By Philip Stephens, Political Editor, in London

Britain's opposition Labour party elected Mr Tony Blair as its new leader by a decisive margin yesterday, giving him a clear mandate to push the party further into the political centre ground.

The 41-year-old successor to Mr John Smith, who died in May of a heart attack, seized the opportunity to pledge a "war against complacency" in the party. He won an immediate pledge of loyalty from his newly elected deputy, the more traditionalist Mr John Prescott.

Promising to drive forward the process of "modernisation" and echoing the themes of President Bill Clinton's 1992 US presidential campaign, Mr Blair said Labour must eschew the old dogmas of both right and left.

Instead it would present the electorate at the next general election with a new left-of-centre agenda based on economic regeneration and the restoration of Britain's social fabric.

The youngest-ever Labour leader told supporters at a London rally that the ruling Conservative party had "lost the nation's trust". But Labour had still to work for and earn that trust by launching a "crusade for change".

Mr Blair's victory with an outright majority of 57 per cent across the three sections of Labour's electoral college was accompanied by a comfortable win in the race for the deputy leadership by Mr Prescott.

Mrs Margaret Beckett, who took over as interim leader from Mr Smith, was defeated in both contests. She immediately pledged her loyalty to the new leaders, indicating she would be seeking a senior post alongside Mr Blair and Mr Prescott after elections for the shadow cabinet team later this year.

Mr Blair's victory coincided with the first meeting yesterday of Mr John Major's reshuffled the new cabinet, reshuffled on Tuesday by Mr John Major, UK prime minister.

The new Labour leader will delay until after the shadow cabinet elections his a planned shake-up of Labour's team, but he is already studying changes to the party's cumbersome policy-making machinery.

As Mr Jeremy Hanley, the newly appointed Conservative party chairman, attacked Mr Blair as "all style and no substance", senior ministers said the government's strategy would now be to highlight the "clear water" which remained between the two parties on the economy, taxation and Europe.

But in his acceptance speech the new Labour leader left no doubt of the direction he intends to travel in an effort to end the run of four general election defeats which have led to more than 15 years in the political wilderness.

Labour would embrace the market economy but buttress it with a partnership between government and industry; it would end the dependency of the poor by promoting employment rather than welfare; and it would extend high standards in education to all schools.

Blair pledges to build on Smith's legacy, Page 8
Joe Rogaly, Page 12

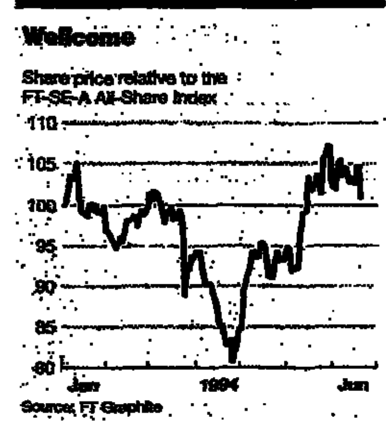
THE LEX COLUMN

Wellcome's cool reception

Wellcome might have hoped that its results would be better received if it produced more of them. Unfortunately, its second set of interim results only confused the market. Some impressive sales figures for Zovirax were overshadowed by the accounting complexities and £52m of exceptional reorganisation costs. Wellcome's shares again retreated on the familiar litany of worries about the expiry of Zovirax's patent; the growing threat of the rival drug, Famvir; and the lack of a strong drugs pipeline to maintain the sales momentum.

None of these concerns can be quickly dispelled. But perhaps the more important issue confronting Wellcome will be how successfully it can develop an OTC version of Zovirax. The tie-up with Warner-Lambert gives Wellcome the wherewithal to do the job. But it is still too early to tell for sure. In the meantime, Wellcome's shares will be kept warm by their yield. Wellcome's £600m cash pile and its commitment to run down dividend cover from 2.7 times also hold an appeal. If Wellcome eventually fails to build a strong OTC Zovirax franchise or is not lucky in developing newer products, then the logic for merger will grow inescapable. There may be some sense in deepening the association with Warner-Lambert. But it would be extraordinary if other cash-rich drugs groups did not cast an envious eye over Wellcome given its grip on the anti-viral field. That suggests there may be greater long term value in Wellcome than the market is currently prepared to recognise. How quickly that potential can be released – and who will do so – will remain unclear for some time to come.

FT-SE Index: 3095.1 (+17.9)



IBM

Everybody knew that IBM was massively overweight. But few expected that the computer giant could cut its fat quite as quickly as it has. For the second time in a row, quarterly profits have outpaced investor expectations. Earnings per share in the three-months to end-June at $1.14 were 60 per cent higher than consensus forecasts. Mr Louis Gerstner, who took over as Big Blue's chairman and chief executive last year, had more good news on cost-cutting yesterday. The group's original 1992 target of lopping off $7bn of costs by 1996 has been raised to $8bn.

While the stringent diet is both necessary and welcome, it is the relatively easy part of IBM's strategy to return to health. The more difficult part will be to change the group's culture so it becomes faster-thinking and faster-moving. Otherwise, its market share will continue to be gobbled up by more dynamic rivals such as Compaq. Yesterday's results provide little evidence that it is winning this battle. The rate of decline in revenues from mainframes, its traditional stronghold, did slow. But it was still a decline. Performance in the faster-growing personal computer market was disappointing. Sales in the US were flat, with the only growth coming from international markets. Compaq, by contrast, reported a 53 per cent jump in second-quarter sales earlier this week. Unless Mr Gerstner can find new sources of revenue, the only option will be to keep hacking away at IBM's costs. Big Blue may then be profitable but terribly shrunken.

Bundesbank

The Bundesbank still managed a small surprise yesterday even if its failure to cut the discount rate or amend its money supply target were widely expected. The slightly unsettling aspect of its council meeting was the decision to fix the money market repurchase rate at 4.85 per cent until after the summer holiday recess. That is only three basis points below the present level and is a clear indication of the central bank's caution on rate cuts.

Admittedly the bank could not afford to continue cutting the repurchase rate by three or four basis points a week without using up nearly all its leeway during the holiday period. Speculation about a discount rate cut as soon as the recess was over would then grow unbearable. From that perspective, fixing the repurchase rate makes technical sense. But there is no escaping the conclusion that the Bundesbank wants to avoid being bounced into a discount rate cut as soon as the recess is over. It would prefer to wait for more evidence of falling inflation and money supply growth. That is natural, as the bank has to watch for the impact on the bond market of any decisions it makes on interest rates. But the message of indifference to the dollar's fate could hardly be more explicit. That the dollar actually rose yesterday was thus baffling. In contrast to Wednesday, it was helped by supportive comments on the other side of the Atlantic from Mr Alan Greenspan of the Federal Reserve and Mr Larry Summers of the US Treasury. But while the central banks dither on interest rates, the currency still looks vulnerable.

Telegraph

If Cazenove thought its resignation as Mr Conrad Black's broker would put an end to its embarrassment over its role in placing a large slug of the media magnate's Telegraph shares, it was mistaken. Mr Black's reputation was badly damaged by the defection. His extraordinary broadside in an interview with the FT seems designed to knock Cazenove's reputation in return.

It is unlikely that investors who bought the shares will have much truck with Mr Black's arguments. The Telegraph's decision to join the newspaper price war shortly after the share placement left them nursing huge losses. Cazenove's resignation was a damage limitation exercise apparently designed to placate investors' wrath and so protect its valuable share placing franchise.

The danger for Cazenove is that Mr Black's accusation that the broker "scurried out of the back door into the tall grass" could unsettle its other customer base – corporate clients. If Mr Black's interpretation of events is accurate, Cazenove was not too fussed when first told that the Telegraph planned to slash its cover price. It was only after it experienced the full force of the City's revulsion at what had happened that it resigned abruptly. Cazenove may, of course, have full answers to these criticisms. But so long as it maintains its famed policy of not commenting about its business, doubts will remain.

Sony closes circuit board plant as Japan demand falls

By Michiyo Nakamoto in Tokyo

Sony, the consumer electronics company, said yesterday it was halting production at a plant in central Japan because of a decline in the domestic market.

The plant at Atsuta, outside Nagoya, is one of two in Japan where Sony produces printed circuit boards for video cameras. The company will consolidate domestic production at its other Japanese plant.

Meanwhile, Matsushita, the world's largest consumer electronics company, said yesterday it was advancing plans to reduce its administrative staff by 30 per cent.

The group will aim to make about 6,000 staff cuts by the end of fiscal 1996 rather than the end of fiscal 1997, as originally planned.

The cuts are part of Matsushita's plan to improve its profit-to-sales ratio from 1.5 per cent in 1993 to 5 per cent by the end of 1996.

The announcements by Japan's two leading consumer electronics companies highlight the difficulties the industry faces after several years of falling profits and efforts to cut costs and restructure.

The domestic environment has changed dramatically from the days when manufacturers expected rising demand for a wide array of products.

The maturing of the market, coupled with demands for cheaper products and a flood of low-priced imports from Asian countries, has triggered a sharp fall in prices.

Sony's move marks the first time in its recent history that production has been halted completely at a plant. "The Atsuta plant is feeling the effects of lower demand in the camcorder market," a Sony official said yesterday.

The plant faced other concerns, such as insufficient space to expand, a lack of abundant water needed to wash printed circuit boards, and its age: the facility was opened in 1973.

The move also highlights Sony's need to develop more innovative products that can trigger market demand. In video cameras, for example, the group blemished its image as an innovator when it followed Sharp, a smaller company, in launching a video camera with a built-in screen.

Matsushita, meanwhile, faces pressure to streamline its vast administrative workforce, which numbers 20,000 across seven group companies. The group's large staff has become a symbol of how it has grown into a corporate dinosaur, out of touch with market realities.

Japanese consumer electronics makers such as Matsushita and Sony will have to move swiftly, analysts believe, to restructure their operations to meet the demands of a new era.

Bundesbank raises hopes

Continued from Page 1

target range of 4-6 per cent, which has been far exceeded so far this year. The unadjusted M3 growth rate for June was 11.3 per cent.

Yesterday's decision to fix the interest rate for securities repurchase agreements at 4.85 per cent for the four weeks of the summer break, following a variable rate of 4.88 per cent this week, was not a signal that rates elsewhere would fall, Mr Tietmeyer said.

Mr Johann Wilhelm Gaddum, vice-president, said the fixed "repo" rate was in line with current market rates and expectations. However, yesterday's statements will raise hopes for a cut in the internationally sensitive discount rate, last reduced in mid-May to 4.5 per cent.

According to Mr Tietmeyer that cut, aimed at widening the gap between long and short rates, and attracting the liquidity log-jam in M3 into long-term deposits, appeared to be showing its first signs of success.

Italy coalition split on economic policy

Continued from Page 1

appropriate fees. As tension between partners in the government coalition grew, a fist-fight broke out in the chamber of deputies between a League deputy and a one from Mr Silvio Berlusconi's Forza Italia. They had earlier indulged in a slanging match over the way each party had behaved in the withdrawal of the decree on preventive detention.

Because of the differences the government is now likely to do little more than repeat the already announced broad economic targets for the 1995 budget without fully explaining how the money will be found to bridge the budget deficit.

Mr Lamberto Dini, the treasury minister, last week said the deficit would be held down to L140,000bn, or equivalent to just below 9 per cent of GDP. This will be done by finding some L30,000bn in spending cuts and L15,000bn in new revenues. The key areas identified for spending cuts were pensions and health.

The main new revenues will be an amnesty on a backlog of 3.2m disputed tax assessment cases and the pardon on illicit building. Both items will come into effect this year and will cover the L5,000bn shortfall in the 1994 budget revenue projections.

The postponement of any serious discussion on pensions is likely to be viewed negatively by the financial markets. Pension cuts are widely seen as the test of the Berlusconi government's resolve to restore Italy's public finances to the criteria laid down by the Maastricht treaty.

Yesterday, Mr Mastella, who is also responsible for pensions, was reported to have said the maximum realistic sum to be raised from changes in pensions was L4,000bn.

He opposed the more drastic Treasury proposals to raise immediately the retirement age to 65 for both men and women from the current 55 for women and 60 for men.

Differences over the illicit building pardon have been simmering for more than a week.

Mr Silvio Berlusconi, the prime minister, tried unsuccessfully to bridge them at a special session with his two main coalition partners – Mr Umberto Bossi, the leader of the populist Northern League, and Mr Gianfranco Fini, head of the neo-fascist MSI/National Alliance.

Cazenove

Continued from Page 1

damage on the company's reputation."

Mr Black added: "They took the line of least resistance and scurried out the back door into the tall grass.

"Any company using Cazenove as a broker or an adviser should take note of this. The fact is in this business you have to have some reasonable level of reliability from people you are paying to serve you."

Cazenove, which continues to concentrate on its traditional business of providing advice to companies on share issues rather than becoming a more broadly based investment bank, is widely regarded as successful but profits and partners' earnings are a closely guarded secret.

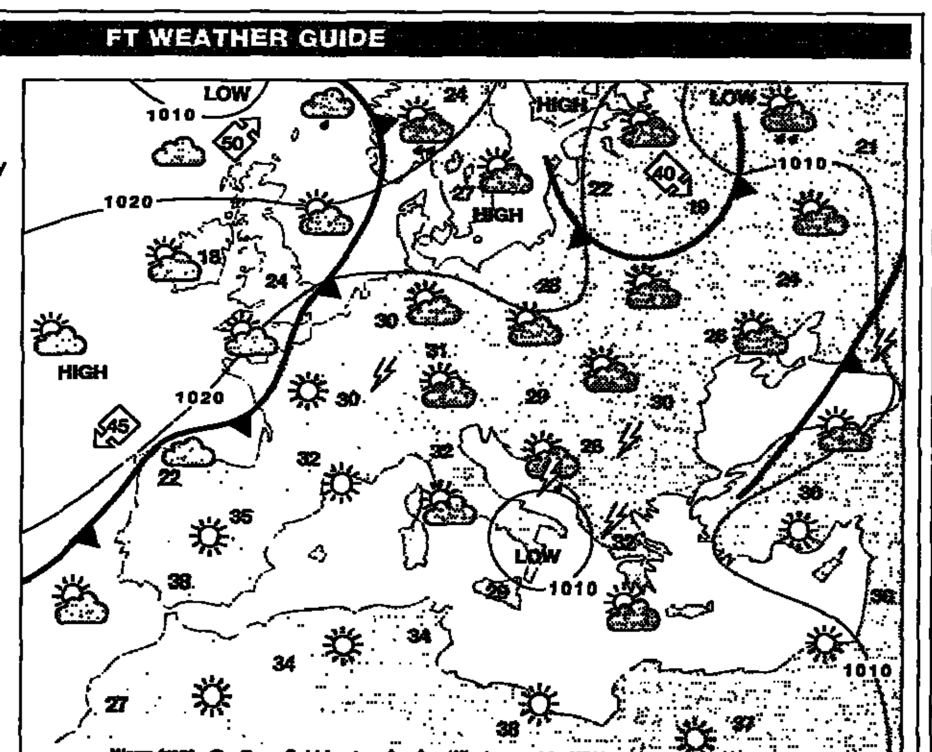
FT WEATHER GUIDE

Europe today

It will continue sunny and warm. Temperatures should reach about 30C from northern Germany to central France and Italy. Spain will be very hot with local temperatures above 35C. A small disturbance will develop this afternoon over Spain and southern France, causing isolated thunder storms this evening. Thunder storms may also develop in Switzerland and Austria. Scotland and Ireland will be relatively cool with temperatures staying around 17C in north-west Ireland and along the western and northern coasts of Scotland. England will have sunny periods and temperatures around 26C. A small depression tracking eastwards over Greece will cause thunder storms in northern Greece and Bulgaria.

Five-day forecast

Temperatures will rise further to over 30C. The depression over southern France will move north-east, causing heavy thunder and rain in northern France and, later, in Belgium, the Netherlands and Germany. The sun will return but rising temperatures will increase the risk of afternoon thunder showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	cloudy	27
Algiers	sun	34
Amsterdam	fair	29
Athens	fair	33
Atlanta	thund	33
B. Aires	fair	12
B.ham	cloudy	24
Bangkok	shower	32
Barcelona	sun	28
Beijing	thund	34
Belfast	fair	19
Belgrade	thund	28
Berlin	sun	30
Bermuda	sun	33
Bogota	shower	19
Bombay	rain	29
Brussels	sun	30
Budapest	thund	31
C.hagen	sun	24
Cairo	sun	37
Cape Town	sun	16
Caracas	fair	27
Cardiff	cloudy	22
Casablanca	sun	27
Chicago	sun	28
Cologne	fair	32
Dakar	sun	29
Dallas	fair	34
Delhi	cloudy	37
Dubai	sun	39
Dublin	cloudy	20
Dubrovnik	fair	31
Edinburgh	fair	21
Faro	fair	28
Frankfurt	sun	32
Geneva	thund	28
Gibraltar	sun	31
Glasgow	fair	20
Hamburg	sun	28
Helsinki	fair	22
Hong Kong	rain	29
Honolulu	fair	30
Istanbul	fair	30
Jakarta	fair	30
Jersey	cloudy	19
Karachi	fair	32
Kuwait	sun	45
L. Angeles	sun	25
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	cloudy	25
London	cloudy	28
Lux.bourg	fair	30
Lyon	fair	31
Madeira	fair	25
Madrid	thund	34
Majorca	sun	31
Malta	sun	30
Manchester	fair	22
Manila	cloudy	31
Melbourne	fair	12
Mexico City	fair	22
Miami	fair	31
Milan	fair	31
Montreal	shower	30
Moscow	rain	18
Munich	fair	29
Nairobi	fair	23
Naples	thund	31
Nassau	shower	32
New York	shower	30
Nice	sun	29
Nicosia	sun	36
Oslo	sun	24
Paris	sun	30
Perth	cloudy	20
Prague	sun	29
Rangoon	drzzl	30
Reykjavik	cloudy	13
Rio	fair	26
Rome	fair	32
S. Frsco	fair	22
Seoul	sun	34
Singapore	fair	31
Stockholm	fair	27
Strasbourg	sun	31
Sydney	sun	16
Tangier	fair	28
Tel Aviv	sun	34
Tokyo	rain	29
Toronto	cloudy	27
Vancouver	sun	31
Venice	sun	30
Vienna	sun	30
Warsaw	sun	28
Washington	shower	33
Wellington	shower	7
Winnipeg	shower	27
Zurich	fair	27

FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 22 1994

IN BRIEF

Metall Mining grows impatient

Metall Mining, the international mining arm of Metallgesellschaft, is growing impatient at delays in the sale of a 50.1 per cent controlling stake in itself held by the ailing German industrial group. Page 16

Telefónica in GTE talks
Telefónica, Spain's national telecoms operator, is set to engage in talks next week with GTE, which could lead to the US operator taking a minority stake in Telefónica's international arm. Page 16

Saudi banks slow down
A marked slowdown in the second-quarter results of Saudi Arabia's commercial banks indicate the kingdom's post Gulf war banking boom has drawn to a close. Page 17

Caterpillar reaches a record
Caterpillar, the US heavy equipment manufacturer, reported record second-quarter profits of $240m, or $2.36 a share, on economic recoveries at home and abroad which sharply boosted sales. Page 18

Strong growth for AT&T
AT&T, the US telecommunications group, saw second-quarter profits of $1.13bn, or 83 cents a share, against last year's $1.01bn, or 74 cents restated to account for accounting changes, thanks to strong revenue growth from its long-distance telecommunications, equipment manufacturing and financial services businesses. Page 18

Reshuffle at Coca-Cola
Coca-Cola, the US soft drink group, announced a management reshuffle that effectively anoints a successor to Mr Roberto Goizueta, chairman and chief executive. Page 18

Lac shaken awake
Lac Minerals has for long been near the top of mining analysts' list of companies in need of a wake-up call. That loud call came on July 7 when Lac became the target of US$1.4bn takeover offer by Royal Oak Mines, the Vancouver-based gold producer. Page 19

Up-to-date in Milan
Milan's stock exchange plans to round off its modernisation process with the introduction later this year of stock index futures, a move which will bring it into line with the rest of Europe. Page 20

Shoprite shares halved
Shares in Shoprite, the Scottish discount food retailer, halved in value yesterday after the group issued a profits warning and said it was "severely curtailing" its store opening programme for this year. Page 21

Benefiting from vehicle safety concern
First Technology, which supplies sensors and crash dummies to the car industry, increased profitability, thanks to mounting concern over vehicle safety. Page 21

Coffee and cocoa lift LCE
The London Commodity Exchange made a pre-tax profit of £1m ($1.55m) in the financial year ended in March, after soaring coffee and cocoa futures prices led to a 22 per cent upturn in trading activity. Page 34

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Wella	993	+	41
Falls			
Degussa	482	-	10.5
Deutsche Bank	721	-	19.2
SEHE	553.8	-	10.2
Kaufhof	493	-	12
Metallg'tschaft	199	-	5.8

NEW YORK ($)			
Rises			
English China	17¾	+	1⅛
IBM	61	+	5⅛
Plantronics	19⅞	+	2
Smiths Food	21⅞	+	2
Falls			
Ace	23⅝	-	1⅝
Trans-Tech	11	-	1¼

New York prices at 12:30.

PARIS (FFr)			
Rises			
Canal Plus	905	+	24
Eridania BSay Cl	770	+	20
Union Immob Fr	520	+	16
Falls			
Cred Lyon (CI)	465.1	-	13.9
Dollfus Mieg Cie	456	-	18.5
Radiotechn	450	-	15

TOKYO (Yen)			
Rises			
Mori Seiki	2500	+	110
Toyo Tst & Bkg	1220	+	40
Falls			
Hasoko	641	-	24
Japan Airlines	711	-	23
Mitsui Tst & Bk	1160	-	40
Tsugami	532	-	18

LONDON (Pence)			
Rises			
Argyll	266	+	7
Business Post	137	+	14
Canning (W)	184	+	16
Celltech	209	+	18
Eastern Elect	640	+	28
Eng China Clays	384	+	25
First Technol	319	+	14
Geest	246	+	8
Goode Durrant	198	+	6
Inchcape	456	+	14
Lec Refrig	355	+	60
London Intl	81	+	4
Saville Gordon	68	+	5
Southend Prop	70	+	5
Tomkins	231	+	7½
Triplex Lloyd	152	+	8
Unipalm	119	+	8
Falls			
Boots	522	-	13½
Holders Tech	147	-	32
Kode Intl	85	-	8
Royal Bk Scot	384	-	12
Shoprite	30	-	30
Telemetrix	91	-	6
Wolseley	810	-	21

Salomon hit by securities losses

By Patrick Harverson in New York

Plunging stock values and a fall-off in trading and underwriting activity drove Salomon Brothers, the securities broking firm, into a heavier than expected second quarter loss of $410m before tax.

This left Salomon, the parent group, with a quarterly net loss of $204m, or $2.08 a share. In the same quarter of last year, net income amounted to $433m, or $3.32 a share.

Although the group warned Wall Street of its poor second quarter two weeks ago, the scale of Salomon Brothers' losses surprised analysts, who had been expecting a figure nearer $300m. In the second quarter of 1993, the firm earned $783m pre-tax.

The near $1.2bn difference between the results of this latest quarter and the same quarter a year ago illustrates the volatility of profit flows on Wall Street. The big firms such as Salomon Brothers, which trade actively for themselves and with big institutional customers, are particularly vulnerable to large swings in their earnings.

The poor results are also a stark indication of how the slump in international financial markets this year, prompted by rising US interest rates, has taken its toll on the securities industry.

Earlier this week, Merrill Lynch and Lehman Brothers, two other big Wall Street houses, announced sharply lower profits for the second quarter, and others are expected to follow suit later this month.

Salomon said that the bulk of the losses at its brokerage unit – $291m of the $410m – were attributable to client-driven business, where the value of its securities inventories plunged and trading and underwriting activity dropped sharply. The inventory losses are believed to have been particularly heavy in the mortgage-backed securities area.

Salomon Brothers has also struggled with its proprietary trading business, where losses totalled $119m.

The one bright note in the group results was the performance of the Phibro oil trading unit, which recorded a pre-tax profit of $82m, up sharply from the $3m profit of a year ago.

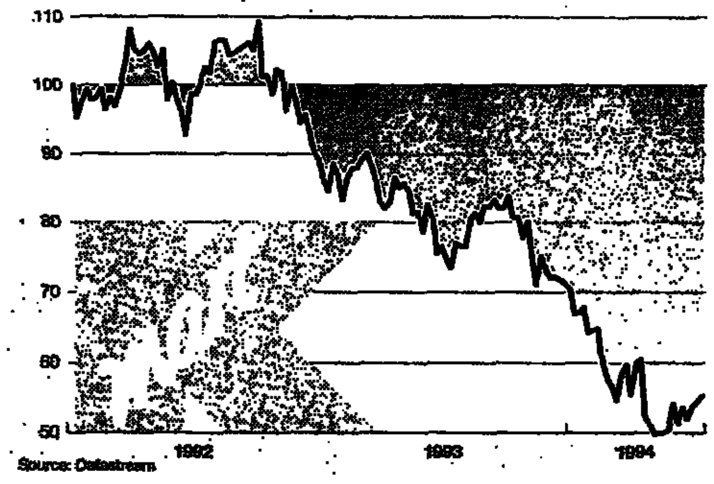
For the first six months, the group ran up a net loss of $138m, or $1.54 a share, compared with a net profit of $331m, or $2.52.

● Dean Witter Discover, the securities broking and credit card group, reported second quarter net income of $206.9m, up 32 per cent from a year ago due primarily to a big increase in earnings at its credit services division, which includes the Discover card business. The group's securities unit bucked the industry-wide trend of declining earnings, posting quarterly profits growth of 11 per cent as rising asset management fees offset lower commission and investment banking revenues.

Bruce Jacques and Richard Tomkins report on the troubled store group's latest about-turn

Kmart tries to turn the tide

Kmart relative to S&P department stores sector



Joseph Antonini chief executive

Kmart to sell Australian stake to raise $924m

Kmart, the troubled US discount store group, yesterday performed an abrupt about-turn by announcing that it was selling its 21.5 per cent stake in Coles Myer, the Australian retailer, for A$1.26 bn ($924m).

As recently as last month Kmart had attempted to dampen speculation that it was thinking of selling the holding by announcing that reports to that effect were "incorrect and unfounded".

Days later, however, the speculation was given fresh impetus when angry Kmart shareholders, frustrated at the company's poor performance, threw out its plans to raise money by selling minority stakes in its four specialty retailing subsidiaries in the US.

The proceeds were supposed to help pay for the modernisation of the core US discount stores. When the plan was voted down, attention switched back to the Coles Myers stake.

The speculation had been depressing the Coles share price, and Kmart suggested yesterday that Coles's directors had taken matters into their own hands.

Kmart chairman, Mr Joseph Antonini, said Kmart's board had analysed various alternatives for the investment. "Kmart has decided to be responsive to the approach from Coles Myer and give them the opportunity to complete this transaction which we believe is in the interest of both companies," he said.

A Kmart spokesman said the deal had no bearing on what would happen to Kmart's specialty retailing operations. Shareholders want Kmart to sell them outright so that it can concentrate on putting its ailing discount stores to rights, but Kmart's board has yet to decide.

The sale of the Coles stake will be undertaken in two parts, both conditional. First, Coles plans to buy back and cancel nearly 10 per cent of its own capital at A$4.55 a share, costing A$587m.

Second, Coles has undertaken to try to find a purchaser for the remaining 11.45 per cent Kmart stake through Barclays de Zoete Wedd Australia (BZW), the investment bank, also at A$4.55 a share, valuing the parcel at A$672m. This part of the deal will involve the purchase of a Kmart subsidiary which owns the 11.45 per cent Coles parcel.

Coles Myer said yesterday that BZW had "indicated its willingness to consider being nominated as the third party purchaser".

BZW chairman, Mr Tim Crammond added: "BZW believes there will be an appetite for the shares in the market and will be seeking to place the shares with a wide cross section of investors."

He added that "should BZW decide to purchase Kmart Holdings it is likely to seek to sell the underlying shares." Selling the parcel at the nominated price my not be easy as Coles Myer shares closed at A$4.30, down 2 cents, on Australian stock exchanges yesterday.

Meanwhile, Standard & Poor's, the ratings agency, announced it had placed the company's long and short-term debt rating on creditwatch with negative implications, noting company's heavy capital expenditure programme.

The transaction would substantially raise Coles Myer's gearing ratio which stood at just under 50 per cent at June 30 last year. Directors described this yesterday as making better use of the company's under-leveraged balance sheet.

Black reveals anger at rebuff by Cazenove

By Raymond Snoddy in London

It is more than three weeks since Mr Conrad Black's Telegraph group suffered an enormous blow to its pride when Cazenove resigned as stockbroker to the company. Talking for the first time about Cazenove's action it is clear that Mr Black's anger at being publicly rebuffed by one of London's most respected brokers is growing.

"They gave us less than two hours' notice that they were withdrawing from the account," said Mr Black.

"They left and they did the maximum possible damage to our reputation as a company," he added. There does, however, appear to be considerable support among City institutions for Cazenove's action.

Cazenove withdrew as Telegraph's broker in the wake of controversy in the City over the group. On May 19 institutions bought 12.5m Telegraph shares at 587p a share but just over a month later when Mr Black cut the cover price of The Daily Telegraph in response to Mr Rupert Murdoch's cut-price Times, the group's share price dropped by 191p to 349p. A Stock Exchange investigation quickly cleared the Telegraph of wrongdoing.

Mr Black claims that Cazenove were told in May that he was not pleased with the performance of Cazenove in the original share sale and it was made clear before the price cut row that "perhaps an orderly, amicable parting of the ways in the course of the summer would be in order".

The Telegraph chairman said that on Wednesday June 22 a senior official of Cazenove, Mr David Wentworth-Stanley, was given a full briefing on the planned cover price cut. Cazenove, according to Mr Black, said there would be controversy and downward pressure on the share price but "they absolutely assured us that they would not find it particularly embarrassing and it would not particularly discomfort them".

After the cover price cut and the share drop Mr David Mayhew, "an exceedingly senior Cazenove official", told Mr Black the price cut had embarrassed the house and its clients but added, according to Mr Black, that Cazenove "will not do anything provocative and we will not withdraw abruptly". Mr Black was therefore shocked to be given what he said was two hours' notice of the withdrawal. He said an agreed statement was issued saying it was a mutual arrangement.

"We were basically moving them out anyway but not that day for obvious reasons. Then an unnamed Cazenove official was quoted in the Financial Times bannered across the front page saying that they had never in living memory withdrawn from an account like this."

Mr Black said: "This famous firm just scuttled out the back door into the tall grass. That is just not the behaviour one would expect of Cazenove.

"I think Cazenove will pay a heavy price for having deserted a reputable client in a damaging way when in fact that client committed no impropriety and has been absolved by every relevant and interested party including Cazenove itself."

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Wellcome confident of further growth

By Paul Abrahams in London

Wellcome, the UK pharmaceuticals group, yesterday announced a 12 per cent advance in pre-tax profits to £182m ($282m) for the four months to June 30.

Sales increased 13 per cent from £610m to £690m, but were flattered by the inclusion of revenues from the Warner Wellcome Consumer Healthcare joint-venture. Underlying sales growth of prescription products was 7 per cent, reaching £558m.

Mr John Robb, chairman and chief executive, said margins had been maintained and he expected double-digit growth to continue for the rest of the year, while margins would remain in the 28 to 32 per cent range.

Wellcome surprised analysts with a larger than expected £52m exceptional charge to restructure its consumer operations. Mr Robb said there would be no further exceptional items related to the Warner Wellcome venture. The shares fell 10p to 605p.

Zovirax, the anti-herpes compound and Wellcome's top-selling drug, generated sales of £270m, up 17 per cent. US sales increased 27 per cent to £106m, which Mr Robb described as a tremendous achievement. Only 3 percentage points of growth had been achieved through price increases.

Zovirax sales in Europe were up 9 per cent at £90m, but suffered price cuts equivalent to three percentage points. Japanese sales were up only 4 per cent at £55m, because of doctors' fears of prescribing anti-viral medicines after a competitor's product killed a number of patients. Sales were now recovering, said Mr Robb.

Sales of Retrovir, the HIV and Aids treatment also known as AZT, fell 15 per cent to £62m. The drug is still struggling with the Anglo-French Concorde trial published last year which questioned its effectiveness in patients who were HIV-positive but without symptoms.

Mr Robb said he was not overly concerned about the US Food and Drug Administration advisory committee's delay in considering Zovirax as a non-prescription drug.

Earnings per share rose 11 per cent to 12.7p. The second interim dividend per share was 5.8p.

The company reported second interim results because it is changing its financial year-end from August to December.

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UK criticises directors and auditors over B&C collapse

By David Wighton in London

Mr John Gunn, former chief executive of British & Commonwealth Holdings, faces disqualification as a director after a highly critical Department of Trade and Industry report into the acquisition that led to the UK financial services group's collapse four years ago.

Mr Michael Heseltine, UK trade and industry secretary, is making a court application to have Mr Gunn and five other individuals involved in B&C's £400m ($600m) acquisition of Atlantic Computers in 1988 disqualified.

The report was less critical than expected of the two companies' financial advisers, including N.M. Rothschild and Barclays de Zoete Wedd, although it strongly criticised the work of Atlantic's auditors Spicer & Pegler.

B&C collapsed in 1990 with debts of £1.2bn after writing off £550m against its investment in Atlantic, a computer leasing company, which the report concluded had probably never made a profit since it was formed in 1975.

The report published yesterday criticised Mr Gunn and two fellow B&C directors, Mr Peter Goldie and Mr Andrew Ashman, for failing to alert other board members or shareholders when they learned of a £160m "black hole" in Atlantic's accounts in April 1989.

They were also criticised for publishing a "grossly misleading" set of accounts afterwards.

Colin Beere

Not in the driving seat: John Gunn

- Atlantic's rise
- Flawed leases
- Writs fly
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The inspectors added, however: "We are satisfied that they were acting in what they perceived at the time (albeit in our view erroneously) to be the best interests of B&C and that they did not act dishonestly in the sense of seeking to defraud any person."

The other individuals facing disqualification are Mr David McCormick, who was a director of Atlantic at the time of the acquisition, Mr Nicholas Kennedy Scott, who was finance director, and Mrs Sien Yen Cheng Kai On, Atlantic's chief accountant.

Mr Gunn said he was "astonished" at the report which was "a shoddy piece of work" containing "material inaccuracies". He is to "vigorously defend" the disqualification action.

He also defended the decision not to alert shareholders. "We were running a company based on the confidence of lenders and market participants and took a prudent approach."

Metall Mining impatience over controlling interest

By Bernard Simon in Toronto

Metall Mining, the international mining arm of Metallgesellschaft, is growing increasingly impatient at delays in the sale of a 50.1 per cent controlling stake in itself held by the ailing German industrial group.

Metallgesellschaft has indicated that it plans to spin off its stake in Metall through a public offering as part of efforts to improve its liquidity. Metall and its financial advisers are eager to take advantage of the recent surge in copper prices to go ahead with the sale.

"The market is indicating that it would be receptive," one Toronto securities dealer said yesterday.

Metallgesellschaft's stake in Metall has a market value of about C$465m (US$336.9m). The main stumbling block however, is a convoluted arrangement involving Metall's 35 per cent stake in Norddeutsche Affinerie, one of Europe's largest copper smelters.

Metall is also understood to be frustrated at recent management changes at Metallgesellschaft's head office in Frankfurt, which have blurred lines of communication. The discussions on Metall's future also involve numerous creditors to whom Metallgesellschaft has pledged its Metall shares as collateral.

"There are more than two parties and each has its own agenda," one person familiar with the talks said.

Metall's partners in Norddeutsche Affinerie are MIM, the Australian mining group, and Degussa, the German metals company. Metall acquired its interest from Metallgesellschaft last September as part of a rationalisation of the German parent's metals business before its present troubles surfaced.

MIM and Degussa demanded assurances at the time that the Canadian company's stake would revert to Metallgesellschaft if the seemingly healthy German group were to sever its ties with Metall. Metallgesellschaft would be obliged to pay Metall a fair market price for the assets.

Metall has so far been unable to obtain a waiver of this arrangement from its partners.

Saint-Louis in Spanish stake talks

By Alice Rawsthorn in Paris

Saint-Louis, the French food and paper group, has begun negotiations to double its stake in General Azucarera, the Spanish sugar company, from the present level of 10 per cent, according to Mr Bernard Dumon, chairman.

Mr Dumon has confirmed that Saint-Louis was in talks to buy the holding in General Azucarera owned by Banco Central Hispanoamericano, the banking group. If the deal goes through the French group would emerge with just over 20 per cent of General Azucarera, which has annualised sales of FFr1.5bn ($279m).

The General Azucarera deal forms part of Saint-Louis's plans to expand its activities over the next few years. The French group, which made net profits of FFr717m on sales of FFr34.16bn in 1993, is already a force in the European sugar market through its Générale Sucrière subsidiary and in paper due to its interest in Arjo Wiggins Appleton.

However, Mr Dumon said he hoped to double Saint-Louis's annual sales over the next six years. He estimated that the group could currently afford to spend between FFr7bn and FFr8bn on acquisitions, including FFr2.5bn in surplus cash.

"It's highly likely that we will stage a significant acquisition as we have in the past," said Mr Dumon. "But we must be patient."

The proposed increase in the General Azucarera stake is seen as the first stage in this expansion programme. Mr Dumon also envisaged establishing Saint-Louis as a force in the eastern European sugar market with projects already under way in the Czech Republic and Poland.

However, the chairman said that Saint-Louis might consider raising capital by selling its stake in Danone, the French food group which recently changed its name from BSN. Saint-Louis currently owns a 2.39 per cent holding in Danone, which has a stock market value of FFr1.3bn.

BBV expands despite 14% decline

By Tom Burns in Madrid

Banco Bilbao Vizcaya plans to spend Pta15bn ($116m) opening 250 urban bank branches in Spain before the end of next year despite a 14 per cent first-half fall in its net consolidated profit.

The expansion, which will lift the group's network to nearly 3,000 branches, indicates BBV's ambitions to keep a strong share of the domestic deposit base despite its failure to outbid Banco Santander in the auction for Banesto, the fourth-ranked Spanish bank, last April.

BBV's six-month profit fall to Pta38.3bn was blamed on exceptional bond market losses that analysts estimated could have touched Pta50bn. The group's core banking business, in contrast, showed a healthy 6.2 per cent rise to Pta220.9bn in its net interest margin.

Spending restraints which kept personnel costs to a rise of 0.8 per cent and brought overall expenditure down by 0.3 per cent allowed the group to increase its operating income by 18 per cent to Pta87.3bn.

BBV expects to recover part of its debt market losses, and also loan provisions, in the second half of this year and is confident that it will post similar year-end results to 1993 when its net profits rose by 2.3 per cent to Pta71bn.

Telefónica hums with talk of alliance

GTE may take a minority stake in the Spanish group's international unit, write Tom Burns and Andrew Adonis

Telefónica, Spain's national telecoms operator, is set to engage in talks next week with GTE, which could lead to the US operator taking a minority stake in Telefónica's international arm. The outcome will have a significant bearing on the global battle between the largest international telecoms companies.

In addition to GTE, Telefónica will be talking to Unisource, the European joint venture grouping the Dutch, Swedish and Swiss national operators that it formally joined earlier this month, and also to AT&T, the US long-distance group that in June forged an international venture with Unisource. AT&T and Unisource could both be invited to take small stakes in Telefónica Internacional SA (Tisa), the international subsidiary. .

For AT&T and Unisource, the prize is way into Latin America. In the last five years Telefónica has built Tisa into the dominant operator in the fast-growing Latin American market. A strategic partnership between Tisa and GTE could lend critical support to the AT&T-Unisource alliance as it takes on international rivals – notably the $5.3bn alliance between British Telecommunications and MCI of the US – in the battle to become "one-stop" telecoms providers to multinationals.

With a market capitalisation of between $6bn-$7bn and an 89 per cent rise in its first quarter profits this year to $30.8m, Tisa is the jewel in Telefónica's crown.

Its Latin American ventures started with the bargain basement purchase of a 20 per cent stake in Entel Chile in 1989 for $48m. The biggest recent acquisition was the record $2bn paid to acquire 35 per cent of Peru's CPT-Entel last March. Tisa has exploited its roots in a common Hispanic culture to snap up opportunities in Latin America.

Tisa groups stakes in 20 different companies, including local and long distance operators, data transmission and mobile telephone units and yellow pages franchise holders. As one Telefónica official put it: "Before we were the wall-flower at the party but now, dressed as Tisa, everyone wants to dance with us."

Tisa's strategy has been masterminded by a close-knit troika of Telefónica's chairman, Mr Cándido Velázquez-Gaztelu, Mr Germán Ancochea, the group's chief executive, and Mr Iñaki Santillana, Tisa managing director. The three are frequent travellers to Latin America, which they view as the natural stamping ground for the Spanish group and the launch pad for its elevation to the high table of global telecommunications operators.

Telefónica owns 76.2 per cent of Tisa, with the Patrimonio del Estado, the Spanish government's portfolio, holding the remaining 23.8 per cent.

Telefónica is attracted to GTE as a partner for its management expertise as an operator in all the main US markets – national, local, data and cellular. The two companies have co-operated extensively in CANTV, the Venezuelan operator. A GTE-led consortium, in which Tisa is as a minority shareholder, took a 40 per cent stake at the privatisation of CANTV in 1991.

Telefónica believes that its links with AT&T, through Unisource, are not incompatible with a GTE partnership. A Telefónica official said the two alliances were "complementary" because GTE is primarily a local operator, like Telefónica, serving mostly small customers in specific territories, whereas AT&T is a long- distance traffic carrier with particularly strong links to the large corporate sector. The logic behind an agreement with AT&T is that the US giant will help handle Tisa's global traffic.

A GTE alliance would complement Telefónica's membership of Unisource for the same reasons. By joining the Dutch, Swedish and Swiss venture, Telefónica believes it gains access to European-based multinationals. The official said: "We simply don't have in Spain any Unilevers, Astras and any Nestlés; we have many more lines than the other Unisource partners but we haven't got their sort of clients." By hooking up Tisa to Unisource, Telefónica expects to manage a profitable link between European business and Latin America.

According to Mr Juan Cueto, chief analyst at the Madrid broking house Ibersecurities, which this week issued a report on Tisa, the package put together by Telefónica's strategists will outstrip in terms of business volume the alliance between BT and MCI, the second largest US long-distance operator. It would also be a serious rival to the other putative international alliance, that between the French and German state operators and Sprint, the third-largest US long-distance operator.

Telefónica's current thinking is to sell an initial stake of around 10 per cent of Tisa to GTE by issuing new equity in the subsidiary. This would raise some $600m-$700m, available to increase its investment in Latin America in partnership with GTE. Privatisations in Bolivia, Colombia, Ecuador and Nicaragua are on the horizon, and Telefónica is exploring prospects in Cuba and in Brazil.

The company's balance sheet will be bolstered by the forthcoming disposal of its 20 per cent stake in Chile's Entel, now worth some $200m, following a ruling by the local anti-trust commission which has forced Tisa to choose between its holdings in Entel and in CTC, the other Chilean operator, in which it holds a 43 per cent stake bought from the Bond Corporation for $468m in 1990.

The nature of the involvement in Tisa by AT&T and Unisource remains unclear. They might become strategic shareholders through an equity issue similar to that envisaged for GTE. Alternatively, the Spanish government's Patrimonio del Estado might dispose of all or part of its Tisa shares in their favour. The Spanish state still holds a 32.2 per cent stake in Telefónica, which could be reduced in due course.

Telefónica is anxious for the alliances to be as "hard" as possible, which on international form implies an equity exchange to underlie any operating and marketing agreement. However, one of the few certainties is the determination of Telefónica to retain a 51 per cent stake in its subsidiary. Tisa is its golden egg; it is not prepared to see it pass into other hands.

Outokumpu raises A$22m from sale of holdings

By Christopher Brown-Humes in Stockholm

Outokumpu, the Finnish mining and metals group, has raised A$22m (US$16m) from the sale of minority stakes in three Australian base metal ventures to Pancontinental Mining.

The disposals are in line with the group's strategy of rationalising its minority interests. Proceeds will be used to develop its other Australian activities, including the Forrestania and Honeymoon Well nickel projects in western Australian and the Panorama zinc project in the Pilbara region of western Australia.

The main transaction involves the sale of Outokumpu's 25 per cent stake in the Thalanga zinc, lead and copper mine in Queensland. The Finnish group is also selling a 25 per cent stake in Mt Windsor, an exploration project, and a 24 per cent stake in Lady Loretta, an undeveloped zinc resource.

Pancontinental aims to end up with 100 per cent control of all three projects, after separately buying out another joint venture partner. The Australian group says the total cost of the moves will be A$42m.

Norwegian shipowner cuts forecast after halfway slide

By Christopher Brown-Humes

Leif Höegh, one of Norway's top shipowners, has reduced its forecast for 1994 after first half profits after financial items slumped to NKr129m ($19m) from NKr213m.

The company blamed a weaker contribution from its car carrying activities and a bigger-than-expected loss at Cool Carriers, a newly-acquired refrigerated cargo operation. It also said that a dry-docking programme for some of its liner vessels had taken more time than anticipated.

The group expects profits after financial items of around NKr200m for the full year, NKr100m less than earlier forecast. Net profits are expected to be NKr250m.

First-half freight revenues expanded to NKr1.46bn from NKr1.22bn, but operating profits fell to NKr76m from NKr176m. Net profits were NKr142m, compared with NKr339m. However, the 1993 figure included a NKr258m profit from the sale of two car carriers.

Höegh's second quarter profit after financial items was NKr36m on freight revenues of NKr740m. Net profit was NKr48m.

Signet faces calls for capital reconstruction

Signet, the UK jewellery group formerly known as Ratners, yesterday faced calls for a capital reconstruction from two groups of disaffected shareholders, writes Tim Burt in London.

The investor groups, both representing preference shareholders, demanded action to overhaul the share structure and raise fresh capital for the company. Pressure for a restructuring has grown since Signet's announcement earlier this year of annual pre-tax losses of £85.4m ($132.37m) and a sharp increase in preference dividend arrears.

INTERNATIONAL COMPANIES AND FINANCE

Saudi banking boom nearing end

By Mark Nicholson in Cairo

First-half figures for the majority of Saudi Arabia's commercial banks show profits generally moving ahead, but signs of a marked slowdown in the second-quarter indicate the kingdom's post-Gulf war banking boom has drawn to a close.

Bankers and economists in the kingdom say the results show tighter liquidity across the market, with deposits flat, assets up by little more than 5 per cent, operating costs rising and provisions also higher.

With the Saudi government determined to cut public sector spending and the recent rise in oil prices yet to filter through to an economy still feeling the effect of the crude price slide of late last year, bankers and economists say bank profits look set to remain under pressure. "It's the most testing time for the Saudi banking market since the mid-1980s," said one economist.

Among the latest results, Saudi American Bank, 30 per cent owned by Citibank, reported an 11 per cent rise in first-half earnings over 1993, with net profits up to SR522m ($140.87m). Al-Rahji Banking and Investment, formerly the kingdom's biggest money changer, reported a 16 per cent increase in net profit to SR434m.

Saudi Arabian Investment Bank, the kingdom's smallest, has reported a 21 per cent rise in the half to SR39m.

However, Saudi French Bank, 31 per cent held by Banque Indosuez, said its first-half earnings were up only 1.3 per cent over 1993 to SR175m, while Saudi British Bank, which is 40 per cent held by Hong Kong and Shanghai Corporation, also reported a slight rise in earnings of just over 1 per cent to SR195.3 over a year earlier, according to unaudited figures.

Saudi Hollandi Bank, 40 per cent owned by ABN Amro, the Dutch bank, said first-half earnings had increased 1.6 per cent to SR93.6m.

Only two banks have had outright profit falls for the first half, with Riyad Bank reporting a 12 per cent decline to SR374m over last year. Arab National Bank posted an 8 per cent decline to SR216m for the period.

However, more than half of the banks to have issued results so far show marked declines in earnings for the second quarter compared with the first. Bankers and economists in the kingdom attribute this partly to exchange rate losses taken as a result of the dollar's recent weakness and to falls in world bond and equity prices.

Analysts also cite the contraction in public sector activity as a factor, with the Saudi government committed to cutting all government departments's spending by 20 per cent for the 1994 fiscal year.

Cuts are being made largely by cancelled or postponed projects and often through delayed payments by government agencies to private sector contractors, according to bankers in the kingdom, who say the government appears to be "doing its best" to meet its spending target.

According to Mr Henry Azzam, chief economist at National Commercial Bank, lending to the private sector remains firm, with all the banks to have reported so far showing bigger loan portfolios - with the Saudi American Bank's having increased by 25 per cent.

"In the domestic economy the demand for bank loans remains firm and margins are firming," he says, adding that continued growth in the private sector looked set to improve bank figures slightly in the next two quarters.

Some of this lending, though, reflects cover to companies stretched by delays in government payments.

"Banks will be looking more closely at the quality of their lending over the next few months," says one banker, who said there would also be increased pressure on banks to increase provisions over the next six months.

Fall in gold mine profits hits Anglo American

By Mark Suzman in Johannesburg

South Africa's Anglo American group, the world's biggest gold producer, has reported attributable profit from its gold mines down sharply in the June quarter, declining 31 per cent to R182.1m ($49.40m) from R263.5m the previous quarter.

The poor results, which follow the trend set by other leading South African gold producers, were largely the result of lower production levels as a result of labour unrest and unscheduled public holidays because of the April elections.

Although an improved spot price led to a higher average gold price received, at R43,462 per kilogram compared to R41.621 per kilogram in the March quarter, it was more than offset by an 8 per cent rise in average unit costs to R33,923 per kilogram from R31,482 per kilogram. Total production dropped to 57,683kg from 61,295kg.

Profits were further hit by the one-off transitional levy imposed by the government on all South African companies to help finance the costs of the election. This led to R21.4m in additional tax being paid for the quarter. Without the levy, attributable profit would have only decreased 23 per cent.

Freegold, the group's biggest mine, had the worst results. Its attributable profit fell 58.4 per cent to R47.7m compared with R114.6m in the March quarter and gold produced fell to 23,982kg from 25,272kg. Freegold was also hit by a lower average yield at 4.16 grammes per tonne from 4.33 grammes per tonne.

Similarly, at Western Deep, attributable profit dropped 38.8 per cent to R29m from R47.4m and at Vaal Reefs total production fell to 16,889kg from 17,928kg. However, Elandsrand's total production only dipped slightly to 4,193kg from 4,280kg, while Ergo, which reclaims gold from worked out mine dumps, managed to raise attributable profit from R15.59m to R15.58m.

A tale of two strategies in the biotechnology sector

Celltech's deal is a dream come true but Synergen lost a high-risk gamble, says Daniel Green

In the space of four days, the biotechnology sector has demonstrated why it is a high-risk, and occasionally high-reward, industry.

On Monday, Colorado-based Synergen announced it was abandoning research on its main product, laying off half its 630 staff and putting the company up for sale.

Yesterday, the UK's Celltech achieved what is a biotechnologist's dream: a collaborative deal with the biggest US drug company, Merck, that could net it more than $100m a year from the start of the next decade.

The difference between the two companies runs deeper than the quality of their respective drugs. Each followed a profoundly different corporate strategy: Synergen decided to go it alone and Celltech to collaborate with pharmaceutical companies.

The choice between the two is exercising to the management of many biotechnology companies. The decisions that they take will determine the shape of the sector and its relationship with the entire healthcare business.

The Celltech deal has the financial complexity that is typical of the biotech sector. The company benefits in three tangible ways:

- It is to receive cash payments of up to £31.5m ($48m) over five years related to the progress in developing an asthma treatment code-named CDP 840;
- Merck will pay for clinical testing of the drug. Phase I trials on healthy volunteers have been completed. CDP 840 must now enter the far more expensive phases II and III where it is given to thousands of patients;
- Celltech will receive "double-digit royalties" on sales into a market worth more than $4bn a year. It has the option of contributing to phase III trials and triggering a profit sharing scheme that would take the effective royalty rate to more than 20 per cent.

These potential sums are huge to a company such as Celltech, which has a market capitalisation of £135m.

Just as importantly, the deal represents a vote of confidence from Merck which, as far as investors are concerned, ought to have a better idea of how to evaluate a prospective drug than any stock market analyst. Celltech's shares jumped more than 10 per cent when the deal was announced.

Synergen, by contrast saw its share price almost halve on Monday when it said it would abandon its sepsis treatment Antril.

The pain was all the worse for the years of effort and more than $100m that the company had sunk into the drug: the failure came at the end of the phase III trials.

Synergen had built its own manufacturing plant and engaged sales and marketing teams. It was spending money at a rate – known in the biotech sector as the burn rate – of $80m a year.

Celltech's burn rate is about £8m a year, and this outflow should be cut by more than half by the staged payments from Merck.

The difference is deliberate. "Synergen bet the company," says one senior Celltech executive. "We don't want to do that."

That philosophy may sound eminently sensible, but until recently it represented a minority view in the industry. Most took the view that biotechnology was inherently a high-risk business and that, therefore, there must be huge rewards in prospect to attract investors.

They pointed to California's Amgen, the biotech sector's one unequivocal success story. Amgen went it alone. It now has two drugs in the world top 25 and is forecast by stockbroker Lehman Brothers to have two of the top five by the end of the decade.

However, the list of failed aspirant Amgens is getting longer.

The biggest apart from Synergen was Pennsylvania's Centocor, which two years ago dropped development of its septic shock drug, but not until it had invested in manufacturing plants and sales and marketing teams.

Centocor's fate shattered many illusions about the biotech sector and engendered a scepticism that still restrains investors.

Increasingly, biotech companies are seeking an alternative to the Amgen, Synergen, Centocor approach. Many, including Celltech, have picked on Chiron, the number three US biotechnology company. Chiron has built its success on a series of alliances with big name drug companies. They include Germany's Schering, Switzerland's Ciba, Sweden's Pharmacia and Johnson and Johnson of the US.

A biotech company entering into such collaborations abandons the dream of becoming a giant pharmaceutical group. But it is a move that, as this week's events show, has its attractions.

Progress for Glaxo/Biochem Pharma drug

Biochem Pharma, one of Canada's largest biotechnology companies, is taking a drug it is developing with Glaxo, Europe's biggest pharmaceutical company, into the last stage of clinical trials, writes Daniel Green.

Trials so far have shown Lamivudine to be far superior to existing treatments for hepatitis B, said Dr Francesco Bellini, president of the Montreal company which is hoping to launch the drug in 1997.

The deal with Glaxo gives the UK company marketing rights outside north America, with a joint venture operating in Canada and Biochem selling alone in the US.

HK bank results disappoint

By Simon Holberton in Hong Kong

Bank of East Asia, Hong Kong's third largest listed bank, has reported disappointing growth in first-half earnings, with profits for the six months to June only 12 per cent ahead of the interim stage last year, at HK$222.2m (US$28.76m).

The result, struck after a secret transfer to inner reserves, were lower than analysts had expected. The market was looking for growth in the region of 18 per cent to 20 per cent. The directors declared an interim dividend of 27.5 cents, up 25 per cent on the interim payout last year.

The results were seen as the harbinger of a lacklustre reporting season for the rest of Hong Kong's banks.

Analysts said that other listed banks in Hong Kong usually take their lead from Bank of East Asia in deciding the tone of their own profits announcements.

In keeping with Bank of East Asia's past practice, however, it provided no details of its operations. A review by Mr David Li, chief executive, did say, however, that a residential and commercial property development the bank is undertaking had got off to a good start.

Analysts said they thought the sale of apartments from this development could contribute up to HK$400m to the bank's earnings in the second half of the year.

They noted that the bank booked about 80 per cent of its total net earnings for 1993 in the second half of the year and that a similar pattern may repeat itself this year.

The report, however, which has most interested banking analysts was the one produced by Merrill Lynch, the US securities house, for Bank of East Asia's recent HK$1bn bond offering. This gives the first breakdown for analysts of the bank's financial position.

It shows that residential mortgages accounted for 44 per cent of the the bank's total loans in 1993. This is above the level recommended by the Hong Kong Monetary Authority, the colony's central bank. Mortgages have, however, declined as a share of loans since 1991 when they accounted for 47 per cent of lending.

The report also gives figures for the bank's bad and doubtful debts. Bank of East Asia has HK$542m of loan loss provisions on total loans of HK$32.3bn.

Trizec's debt restructuring plan approved

By Bernard Simon in Toronto

An Alberta court has approved Trizec's debt-restructuring plan despite objections from the property developer's junior debenture holders.

The plan, which has been under negotiation for almost a year, is scheduled for implementation from July 25. However, the dissenting creditors, consisting mainly of US "vulture funds" have indicated that they plan to appeal the court ruling.

Under the plan, control of Trizec will pass from Toronto's Bronfman family to Horsham, the investment company controlled by entrepreneur Mr Peter Munk, and Argo Partnership, a fund managed by New York's O'Connor Group.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 22.07.94 — Pool purchase price £/MWh	Final Prices for trading on 24.06.94 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.79	17.57	19.80
0100	9.90	11.72	13.95
0130	9.90	11.72	13.95
0200	9.90	11.72	13.95
0230	9.90	11.72	13.95
0300	9.90	11.72	13.95
0330	9.90	11.72	13.96
0400	9.90	11.72	13.96
0430	9.90	11.72	13.95
0500	9.90	11.72	13.95
0530	12.51	11.85	14.07
0600	11.58	11.85	14.07
0630	12.91	17.42	19.65
0700	17.82	23.42	25.65
0730	22.45	23.42	25.65
0800	21.74	25.04	27.29
0830	23.57	25.17	27.46
0900	23.68	25.43	27.77
0930	33.23	26.73	29.08
1000	33.33	26.78	29.14
1030	33.39	26.73	29.10
1100	33.41	26.73	29.10
1130	33.47	26.83	29.23
1200	31.91	26.82	29.20
1230	33.42	26.70	29.05
1300	33.25	25.90	28.19
1330	23.65	25.18	27.44
1400	23.56	25.05	27.29
1430	23.54	25.03	27.27
1500	22.47	25.02	27.26
1530	21.86	24.04	26.27
1600	22.46	24.03	26.26
1630	22.46	24.04	26.27
1700	22.46	24.04	26.27
1730	22.46	24.04	26.27
1800	21.15	23.77	25.99
1830	21.72	24.02	26.25
1900	20.56	23.42	25.65
1930	19.88	22.60	24.83
2000	19.89	22.60	24.83
2030	19.89	22.60	24.83
2100	19.89	22.60	24.83
2130	19.89	22.60	24.83
2200	19.89	22.83	25.06
2230	31.92	26.09	28.32
2300	19.89	26.09	28.32
2330	19.89	26.09	28.32
2400	15.57	26.09	28.32

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.88/MWh becomes 1.988p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-466769 between 8.30am and 5.15pm Monday to Friday.

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Coca-Cola reshuffles top managers

By Richard Tomkins in New York

Coca-Cola, the US soft drink group, yesterday announced a management reshuffle that will be seen as effectively anointing a successor to Mr Roberto Goizueta, chairman and chief executive.

He is Mr Douglas Ivestor, 47, currently head of Coca-Cola's North American operations.

He has been appointed to the number two position as president and chief operating officer – a role that has been vacant since Mr Donald Keough, the previous incumbent, left on reaching retirement age in April last year.

Mr Goizueta has been chief executive of Coca-Cola for 13 years, and under normal company policy would have stepped down on reaching his 65th birthday in November 1996.

Last April, Coca-Cola's board announced that it had asked Mr Goizueta to remain as chairman and chief executive for an indefinite period, but this failed to dampen speculation about who would eventually succeed him.

Barring dark horse candidates, the two men widely regarded as front-runners were Mr Ivestor and Mr John Hunter, 56, head of Coca-Cola's international operations. But under yesterday's reorganisation Mr Hunter will be left reporting to Mr Ivestor, the younger of the two.

Mr Ivestor has previously served as group chief financial officer and head of Coca-Cola's European business as well as running Coca-Cola North America. In his most recent position he has been credited with producing strong growth in profits from the US market.

Mr Andrew Conway, beverage analyst at Salomon Brothers, the Wall Street securities house, said Mr Ivestor was considered to be a long-term strategist.

Coca-Cola said Mr Jack Stahl, chief financial officer, would become head of Coca-Cola USA, and Mr James Chestnut, vice-president and controller, would succeed Mr Stahl.

Charge holds back Colgate Palmolive

By Richard Tomkins

Colgate-Palmolive, the US consumer products group, posted net income virtually unchanged at $142.5m in the second quarter. The group was hampered by a fall in profits in North America and a $5.2m charge for the sale of a non-core business.

World-wide unit volume grew by 9 per cent, driven by strong increases in Europe and the developing world. Group sales rose 7 per cent to $1.9bn, and would have risen by 9 per cent without the adverse effect of shifts in exchange rates.

However, volume slumped by nearly 9 per cent in North America in spite of the introduction of new products. Colgate-Palmolive said its goods were still being bought in the same quantities but the retail trade had sharply reduced stocks.

Net income in the comparable quarter was $142.4m.

Colgate-Palmolive said the latest figure would have been 4 per cent ahead without the special charge.

Fully diluted earnings per share, lifted by aggressive stock repurchases that reduced issued equity by 8 per cent, rose by 7 per cent to 87 cents from 81 cents.

Net income in the first half rose to $292.1m from $283.2m, excluding the effect of accounting changes last time.

Colgate-Europe achieved 16 per cent unit volume growth, although about 5 percentage points of that came from acquisitions.

Monsanto beats expectations

By Richard Waters in New York

After-tax profits at Monsanto, the US chemicals group, climbed 29 per cent in the second quarter of the year. Its chemicals group benefited from the economic upswing in the US and Searle, its drugs company, shook off losses from the year before.

Net income of $258m, or $2.19 a share, was ahead of market expectations and compared with $200m, or $1.66 a year ago.

In the chemicals area, Monsanto's operating profits rose to $103m from $75m on sales down to $926m from $933m, thanks mainly to demand in the US automotive, housing and home furnishing markets. The beginning of economic recovery in western Europe and cost-cutting also contributed to the improvements, the company said.

Searle, which reported a $37m operating loss a year ago, returned a $3m profit in the latest quarter on a 9 per cent improvement in sales, to $415m. The sales growth came from Ambien, an insomnia drug, and Daypro and Arthrotec, two treatments for arthritis.

For the six months as a whole, net income rose to $452m on sales of $4.3bn, from $341m on sales of $4.2bn a year before.

● Warner Lambert saw its drugs sales fall by 3 per cent in the second quarter, although sales overall grew by 7 per cent to $1.55bn on strong gains from consumer products, particularly in the US.

The lower pharmaceutical sales were due to a 9 per cent fall in the US as Lopid, a lipid drug, faced competition from generic alternatives on the expiry of its patent.

Consumer products sales in the US jumped 20 per cent, as the company saw the benefits of an agreement under which it is selling Wellcome products in the US.

Net income of $197m, up from $190m a year before, and earnings per share of $1.47, up from $1.40, were broadly in line with market expectations. For the half year, Warner Lambert recorded net income of $387m on sales of $3bn, compared with $372m on sales of $2.8bn a year before.

General Dynamics up 3.7%

By Frank McGurty in New York

General Dynamics, the US defence contractor, yesterday reported second-quarter earnings of $56m, or 88 cents a share, up 3.7 per cent, saying that its pared-down operations had showed steady improvement in the second quarter.

The results underscored the success of the cutbacks which were largely completed this spring with the sale of its Space Launch Systems arm.

The figures for the continuing businesses, which were slightly better than analysts had predicted, compare with net income of $54m, or 85 cents, in the corresponding 1993 quarter.

Revenues were up nearly 10 per cent at $820m.

The 1994 results exclude a one-time net gain of $15m from the disposal of the space division, acquired by Martin Marietta for $208m. The year-earlier figures take no account of a $9m non-recurring gain and reflect a two-for-one stock split in April.

Mr James Mellor, who took over as chairman and chief executive two months ago, attributed the solid performance in part to efforts to cut costs and boost productivity. The group's cash balance was $988m at the end of June, up from $711m three months ago.

General Dynamics once produced a wide array of weapons systems but is engaged now in the manufacture of only submarines and tanks.

The electric boat division was recently awarded $130m in start-up funding to build a third Seawolf-class attack submarine for the US Navy. At the armoured vehicles division, the company said yesterday, there was progress in settling a month-long strike by 2,000 workers.

For the first six months of the year, General Dynamics posted net earnings of $126m, compared with $748m in the 1993 period, when it booked a $645m net gain on the sale of its Tactical Military Aircraft business. Revenues were flat at $1.6bn.

Strong sales growth lifts Caterpillar to $240m

By Patrick Harverson

Caterpillar yesterday reported record second-quarter profits of $240m, or $2.36 a share, as the US heavy equipment manufacturer benefited from economic recoveries at home and abroad, which have sharply lifted sales of the group's products.

In the same quarter a year ago, the group earned $67m, or 66 cents a share.

However, the strong quarterly results are overshadowed by a long-running dispute with unions over labour practices which resulted last month in 14,000 members of the United Autoworkers Union walking out on strike.

The industrial action, which started as a series of short strikes but escalated in the final week of June into a full-scale strike, had no impact upon second-quarter earnings, said Caterpillar.

The group also predicted that a continuation of the strike would not harm its earnings greatly later in the year.

Sales of the group's products in the US, which account for just over half of Caterpillar's total sales, jumped 25 per cent between April and June to $1.8bn, a result of both increased demand and higher prices.

Overseas sales rose 23 per cent to $1.68bn, thanks to gains in Asia, Latin America and among former members of the Soviet Union.

However, sales to the Middle East area fell during the quarter.

Caterpillar's financial products division reported a $2m decline in pre-tax profits to $14m.

This was the result of a $4m charge the group was forced to take to cover the introduction of mark-to-market accounting of interest rate derivatives products purchased by Caterpillar Financial Services.

Yesterday's results had little impact on Caterpillar's share price, which rose $¾ to $108¾ in early trading on the New York Stock Exchange.

Recovery continues at Northwest

By Richard Tomkins

Northwest Airlines, the fourth biggest US carrier, yesterday reported a turnround from net losses of $136.2m last time to net profits of $71.3m for its first full quarter since returning to the stock market in March.

The company attributed the improvement to an 8.5 per cent increase in revenues to $2.27bn, combined with a slight decrease in operating expenses, down to $2.07bn from $2.08bn.

Second-quarter operating profits rose to $207.8m from $19.2m. Fully diluted earnings per share were 67 cents, compared with losses of $2.42 last time.

For the six months to June, the company reported a turnround to profits of $89.6m from losses of $236.5m.

The quarter was the fourth consecutive period of profitability for Northwest at a time when most other big US airlines have been showing losses or very small profits. The company said this was the first time it had reported four consecutive quarters of net profits since 1989.

It wes helped by an agreement with its labour unions under which employees agreed to exchange $886m worth of labour concessions for a 33 per cent stake in the company (down to 26 per cent following the initial public offering).

Northwest has been restructuring its routes and flights in an attempt to cut out loss-making services and increase profitable flying. The number of available seat miles fell by 1.8 per cent to 21.39bn.

AT&T in black midway after solid second quarter

By Patrick Harverson in New York

AT&T, the largest US telecommunications group, yesterday reported solid second-quarter profits of $1.13bn, or 83 cents a share. In the same quarter a year ago the group earned $1.01bn, or 74 cents restated to account for accounting changes.

The second-quarter profits took first-half 1994 earnings to $2.22bn. A year ago, AT&T reported a first-half loss of $5.8bn, but excluding the impact of accounting changes, earnings in the period totalled $1.94bn.

The improvement in second-quarter results was attributed by AT&T to strong revenue growth from its long-distance telecommunications, equipment manufacturing and financial services businesses. Total revenues in the quarter were $17.7bn, up 8.7 per cent from a year earlier.

The results were well received by investors on Wall Street, who bid up the company's stock $⅛ to $53⅞ on the New York Stock Exchange in early trading.

AT&T's core long-distance business posted a 5 per cent increase in revenues to $10.34bn.

The accelerating pace of economic activity, plus strong sales of new consumer services, lifted calling volume 7 per cent during the period.

Revenues from the group's products and systems division climbed 19 per cent to $4.9bn, with network telecommunications products and systems sales in the US and overseas growing sharply, and the computer business (formerly NCR) posting a profit on strong equipment sales.

Although rentals and other services revenues declined slightly to $1.69bn, earnings from the financial services business, which runs equipment financing, leasing and credit card services, jumped 23 per cent to $723m.

Slumbering Lac Minerals receives a wake-up call

The gold producer is fighting a bid, writes **Bernard Simon**

Lac Minerals has for many years been near the top of mining analysts' list of companies in need of a wake-up call.

Its board of directors is heavily tilted towards retirees and professional men. Its executive chairman, Mr Peter Allen, has an imperious style which has won few friends in the investment community.

That loud call came on July 7 when Lac, the Toronto-based gold and base-metals producer which has been widely criticised for tardiness, became the target of a bid.

An audacious US$1.4bn takeover offer was launched by Royal Oak Mines, the Vancouver-based gold producer whose pugnacity makes it the antithesis to Lac.

By the time Lac delivered its response early this week, the directors had tripled their estimate of its gold reserves and given the go-ahead to invest $600m over the next three years in new projects.

Mr Jim Pitblado, a non-executive director and retired head of Canada's biggest securities dealer, said the board had "complete confidence" in Lac's management.

However, he acknowledged that "there's a feeling that we should be telling our story a little more firmly and a little more aggressively in the market place".

Royal Oak, with projected 1994 gold output of 375,000 ounces, is only about one-third Lac's size.

Its four low-grade mines in Canada are minnows compared with the Lac empire, which stretches across the US, Canada and Chile. As the bid for Lac shows, Royal Oak seldom backs away from a scrap.

Ms Peggy Witte, its tenacious president, is a US-born mining engineer with a reputation for putting crippled mines back on their feet by cutting costs to the bone.

She kept the Giant Yellowknife mine in the Northwest Territories running for a year during one of the most bitter and violent strikes in Canadian mining history.

Although Ms Witte can take credit for rousing Lac from its slumber, Royal Oak remains a long-shot to win the takeover battle.

"You've got to be out of your tree to accept the Royal Oak offer," says Mr Peter Miller, analyst at Yorkton Securities in London. Almost three-quarters of the bid comprises Royal Oak shares, which Mr Pitblado dismissed as "paper of questionable value".

Peggy Witte: a reputation for rescuing crippled mines

Much of the $40m-$50m a year in cost savings which Ms Witte claims she can squeeze out of Lac would be offset by interest charges on the $700m in long-term debt which Royal Oak would take on to finance its bid and augment working capital.

The combined company's earnings could be wiped out for years by the amortisation of almost $1bn in goodwill, which under Canadian accounting rules would not qualify as a tax deduction.

The chances of the combined company paying a dividend in the near future without a large increase in the gold price, are nil.

The increased reserves and new projects announced by Lac this week – assuming they come to fruition – raise further questions about the value of Royal Oak's offer.

Estimates of proven and possible reserves have been lifted from 8.6m to 13.5m ounces, plus "additional geological resources" of 13.5m ounces. The increases come largely from exploration projects at two properties in northern Chile, Red Mountain in British Columbia, and from mines in Ontario and the US.

In the past 10 days, Lac's board has approved construction of a $110m mine at Red Mountain with an expected annual output of 225,000 ounces a year from the end of 1996.

It has given the go-ahead for the $168m La Nevada mine in Chile, whose target production is 200,000 ounces a year. A new vein, with estimated reserves of 1m ounces, has been discovered at the El Indio mine in Chile.

Lac has stepped up exploration outside North America over the past year or so, concentrating on Australasia, Sweden and Niger.

The Royal Oak bid, which expires on August 9, is unlikely to be the last word in the Lac story. Royal Oak said this week it was highly sceptical of the sudden increase in Lac's gold reserves. "Royal Oak has always acknowledged Lac's world-class assets, but it has questioned Lac's management of those assets," Ms Witte said.

Lac's shares are widely held, mainly by North American institutions.

Several shareholders have stepped up the pressure by tentatively depositing their shares with Royal Oak. But most observers expect a better offer to materialise. A Canadian analyst came away from a Lac briefing in Toronto last Monday with the firm impression that the company was for sale.

Mr Pitblado confirmed that Lac's financial advisers were exploring other strategic options. He declined to be more specific, nor to say whether Lac was likely to survive in its present form.

Several other gold producers may be interested in Lac, and be more acceptable to its management and shareholders than Royal Oak.

At the top of Mr Miller's list is Cambior, the Montreal-based gold producer whose properties in Quebec and Latin America would make a good fit with Lac.

Other possible candidates within North America include American Barrick, Battle Mountain, Amax Gold and Pegassus Gold. South African mining houses eager to expand abroad may take a serious look.

The betting in the investment community is that if Lac doesn't survive in its present form, nor will some of its directors and managers.

Abitibi-Price cuts second-term loss

By Bernard Simon in Toronto

Abitibi-Price, the world's biggest newsprint producer, suffered another loss in the second quarter, but scraped together its first operating profit in almost a year.

The Toronto-based company reported a net loss of C$17.7m (US$12.6m), or 19 cents a share, down from C$19.8m, or 29 cents, a year earlier.

The latest figures include a C$5.2m charge stemming from the expected closure of a newsprint machine at Grand Falls, Newfoundland.

Interest expenses rose sharply. Operating profit from continuing operations was C$2.9m, against a C$10.8m loss.

Sales rose by 12 per cent to C$518.6m, mainly due to higher volumes.

Mr Ron Oberlander, chief executive, predicted higher prices and further cost-cutting should produce better results in the second half.

Abitibi painted an encouraging picture of the newsprint market.

A 7 per cent cut in discounts was implemented earlier this year in North America and another 6 per cent reduction has been announced for mid-August.

Newsprint consumption at US daily newspapers was 4.5 per cent higher in May than a year earlier, while customer inventories have fallen by about a quarter.

Offshore consumption has also grown, with Abitibi's shipments rising by 93,300 tonnes during the second quarter compared to a year earlier.

Newsprint and groundwood paper output climbed to 1.2m tonnes in the first half, from 1.1m tonnes a year earlier. Second-quarter production was up 16 per cent.

Microsoft lifted 24% by buoyant PC area

By Louise Kehoe, in San Francisco

Microsoft, the world's largest computer software company, announced strong growth in sales and earnings for its fourth quarter. The results were boosted by a surge in sales of personal computer operating systems programs.

On Saturday, Microsoft settled anti-trust complaints by reaching an agreement with the US Justice Department and European competition authorities to modify the terms on which it sells operating system licences to PC makers.

It said the settlement would have no material impact on earnings.

Second-quarter revenues were $1.29bn, up 24 per cent over the $1.04bn for the same period in 1993. Net income was $362m, or 59 cents a share (restated to reflect the company's two-for-one stock split in May), compared with $265m, or 43 cents.

Income includes a $30m reversal of part of a third-quarter $120m charge, relating to a Los Angeles court order that Microsoft pay damages to Stac Electronics for patent infringement. Last month, Microsoft reached a settlement agreement with Stac. Net income for the fourth quarter would have been $342m, or 56 cents, without the gain.

For the year, revenues were $4.65bn, up 24 per cent from $3.75bn in fiscal 1993. Net income rose 20 per cent to $1.15bn from $953m. Earnings per share were $1.88, compared with $1.57 last year after the stock split.

Excluding the litigation charge and the settlement, net income for the year was $1.21bn, or $1.98.

"We've completed our 19th consecutive year of revenue and earnings growth," said Mr Mike Brown, vice-president of finance.

Microsoft's sales of operating systems programs to PC manufacturers reached an all-time high, up 61 per cent over the preceding 12 months. Sales of Windows, the widely used PC operating system, were particularly strong.

INTERNATIONAL CAPITAL MARKETS

US Treasuries fluctuate within narrow range

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds fluctuated within a narrow range yesterday morning, buffeted by sharp movements in the dollar and conflicting interpretations of a regional economic survey.

By midday, the benchmark 30-year government bond was 1/8 better at 84 19/32, with the yield inching up to 7.54 per cent. At the short end, the two-year note was 1/32 lower at 99⅝, to yield 6.049 per cent.

Bond traders were keeping a closer eye on the foreign exchange markets than in recent sessions. The fresh attention was prompted by repeated warnings from Mr Alan Greenspan, the Federal Reserve chairman, that a depressed US dollar was a threat to the economy.

On Wednesday morning, the Fed chief told a Senate committee that the dollar's weakness could lead to higher inflation by increasing the cost of imported goods and, in turn, domestic products which compete with them.

With the linkage between the currency and bond markets reinforced, the dollar's slide in the wake of the Bundesbank's decision to forgo a cut in interest rates did not sit well with Treasury traders. Bonds fell steeply, but later recovered as the dollar rallied on supportive comments by Mr Lawrence Summers, a US Treasury undersecretary.

With the dollar's vagaries back to centre stage, the July survey of business conditions by the Federal Reserve Bank of Philadelphia provided a fleeting diversion. Immediately after the report's release at 10pm, bonds lurched downward as traders focused on a big jump in the prices-paid component.

However, closer examination of the survey revealed a pattern of moderating growth in the region, mitigating the inflationary implications of the prices data. That perception allowed bonds to move back to near their opening levels by early afternoon.

GOVERNMENT BONDS

■ Germany largely led yesterday's European bond market action, supporting prices in most markets after the Bundesbank announced it was leaving key interest rates unchanged.

Investor activity remained low, however, and is expected to become even thinner in coming weeks as policy-makers and investors go on holiday. "It's been pretty dead in the futures and deadly dead in cash," said a Frankfurt dealer.

At its last meeting before its month-long week recess, the Bundesbank's central bank council left official interest rates unchanged and set fixed-rate securities repurchase agreements at 4.85 per cent for the next four weeks.

After slipping immediately after the announcement, bunds soon recovered and firmed significantly. The September bund future fell to a low of 93.48 but closed at 94.08, up 0.40 point on the day.

The short end of the curve remained relatively soft on widespread disappointment that the Bundesbank had only shaved three basis points off the repo rate, most traders having hoped for a fixed-rate repo at 4.80 per cent or less.

However, the long end was boosted by a sense that the Bundesbank was remaining true to its anti-inflation stance in leaving rates unchanged, and that it would lower them again on further weakening in M3 money supply growth.

"Not cutting rates before the break leaves easing hopes intact, which will support the market during the summer," said a trader.

■ UK gilts closed little changed but up from earlier lows, pulled higher by strength in the German market and by retail buying, traders said. The September long gilt futures contract on Liffe ended at 103⅜, up ⅛ on the day.

Today's attention will be on the release of second-quarter UK gross domestic product data and the continuing Senate testimony of Federal Reserve chairman Alan Greenspan.

■ French government bonds followed German bonds higher but underperformed them slightly, allowing the 10-year yield spread to widen to 51 basis points from 46. The September notional bond future on Matif rose 0.12 points to 117.20.

■ Italian bonds ended a volatile and largely futures-driven session sightly higher, boosted mainly by the strength in the bund market.

However, they also underperformed German bonds amid uncertainty ahead of the Italian cabinet's presentation of its long-term budget plans after the market closed. The Italian 10-year yield spread over Germany widened some 15 basis points to 399 basis points.

Milan bourse plans stock index futures

By Antonia Sharpe

Milan stock exchange plans to round off its modernisation process with the introduction later this year of stock index futures, a move which will bring it in line with the rest of Europe.

The Italian stock exchange council and Banca Commerciale Italiana (BCI) yesterday signed an agreement enabling the transfer of the BCI 30 continuous index of Italy's most liquid and highly-capitalised shares to the exchange. Due to be re-named MIB 30, it will be the reference index for derivative instruments in Milan.

Mr Attilio Ventura, stock exchange chairman, said a futures market was indispensable for a well-functioning bourse. Trading is expected to start on November 28 and will be conducted on Milan's "telematico" screen-based system.

Analysts welcomed the arrival of futures trading in Milan, which they said would reduce volatility in the cash market and facilitate the hedging of positions in Italian stocks. "Investors will use futures to speculate rather than the underlying stocks," said Kleinwort Benson's Mr Enrico Ponzone.

Italian stock options will continue to be traded by open-outcry until next spring, when they are due to be transferred to the telematico.

The change from open-outcry to screen-based trading has been at the heart of the bourse's modernisation programme, which included investor protection legislation and plans to shorten settlement from one month to five days.

Despite some initial technical difficulties, stock trading in Milan is now totally on-screen and has greatly improved turnover, price transparency and investor confidence, all prerequisites for the Italian government's privatisation programme.

Daily turnover reached L2,000bn in April in the aftermath of the general election. Turnover has since fallen to around L1,000bn a day but is still well above levels recorded last year.

Argentina targets Swiss retail investors with schilling offering

By Graham Bowley and Tracy Corrigan

The Republic of Argentina entered the Austrian schilling market for the first time yesterday with a small eurobond offering worth Sch750m.

The three-year bonds, priced to yield 220 basis points over the 7¼ per cent Austrian government bond due 1997, with a relatively high coupon of 8 per cent, is designed to appeal mainly to Swiss retail investors but lead manager Creditanstalt said domestic institutional investors had also expressed interest.

Previous eurobond issues by the Republic of Argentina have not performed well this year, dealers said. The spread on Argentina's D-Mark bonds launched last month via Deutsche Bank, has widened to 260 basis points from 220 basis points at launch.

In the dollar market, Federal Home Loan Bank System's global offering of two-year notes was priced yesterday at 10 basis points over the comparable Treasury yield, in the middle of the indicated range.

INTERNATIONAL BONDS

Lead managers Lehman Brothers and Morgan Stanley said around 60 per cent had been placed outside the US, reflecting the success of international roadshows in promoting the issuer, which has not tapped the international market since the mid-1980s, to international investors.

Other dealers reported a mixed reception from investors outside the US, with some saying that the spread of 10 basis points offered little scope for any tightening.

However, by the end of the day the deal was quoted at 10 basis points over on the bid side.

Despite predictions that the market is about to enter a summer lull, two more borrowers are preparing large offerings.

Sears Roebuck, the US retailer, is preparing a $750m to $1bn offering of asset-backed securities, while the European Investment Bank is taking bids from banks for a Y50bn to Y100bn three-year offering.

A fall in the UK government bond market in early trading yesterday hampered the launch by Cre'dit Local de France of a £100m four-year eurobond issue.

Syndicate managers said that demand for the deal had also been hit by the closure of the Belgium bond markets yesterday for National Day.

Aimed mainly at continental European retail investors, the bond was priced to yield 27 basis points over the 6 per cent gilt due 1999. This spread widened to about 33 basis points in later trading. Goldman Sachs, the lead manager, admitted that placement of the issue had been affected by the closure of the Belgian market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Empresas ICA(a)‡	75	(a1)	99.95R	Aug.1996	0.41R	-	Merrill Lynch International
YEN							
Mitsubishi Corp.Finance(b)	11bn	2.40	100.22	Nov.1995	0.15	-	Merrill Lynch International
STERLING							
Crédit Local de France	100	8.25	99.93R	Dec.1998	0.25R	+27 (6%-99)	Goldman Sachs Intl.
CANADIAN DOLLARS							
General Electric Capl. Canada	100	9.125	99.46R	Aug.2001	0.30R	+15 (c)	Barclays de Zoete Wedd
AUSTRALIAN DOLLARS							
SBC Australia	100	8.75	101.065	Aug.1997	1.50	-	Swiss Bank Corp.
AUSTRIAN SCHILLINGS							
Republic of Argentina	750	8.00	100.57	Aug.1997	1.50	-	Creditanstalt-Bankverein
HONG KONG DOLLARS							
Homes-1, Class A1(d)‡	620	(d1)	100.00	Sep.2003	0.40	-	Goldman Sachs (Asia)
Homes-1, Class A2(e)‡	280	(e1)	100.00	Mar.2009	0.90	-	Goldman Sachs (Asia)
Homes-1, Class B(f)‡	100	(f1)	100.00	Oct.2013	undisd.	-	Goldman Sachs (Asia)
SWISS FRANCS							
Crédit Local de France	250	5.00	102.00	Sep.1999	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on coupon dates from Aug.95 at par. a1) 3-mth Libor +225bp. b) Short 1st coupon. c) Over interpolated yield. d) Average life: 1.2 yrs. d1) 1-mth Hibor +80bp. e) Average life: 4.1 yrs. e1) 1-mth Hibor +175bp. f) Average life: 6.4 yrs. f1) 1-mth Hibor +500bp.

Citibank repackages part of HK property portfolio

By Simon Holberton in Hong Kong

Citibank yesterday became the first bank in Hong Kong to repackage part of its residential property loan portfolio for sale to investors, when it announced a HK$1bn offering of mortgage-backed securities.

The bulk of the issue has already been placed with institutional investors in Europe, Hong Kong, China and Japan, said Mr Timothy Kelly, head of Hong Kong retail banking. The issue is expected to be completed by July 27.

The mortgages will be purchased from Citibank by Homes-1, which will finance the purchase through the issue of HK$1bn in securities. Homes-1 will issue three tranches of securities.

Mr Kelly said the HK$1bn of mortgages represented a small percentage of the bank's portfolio, but it gave the bank another tool with which better to manage its balance sheet, liquidity, and funding of assets.

Goldman Sachs (Asia) and Citicorp International are joint lead managers.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.0200	−1.250	9.62	9.59	9.60
Belgium		7.250	04/04	95.7000	−	7.89	7.79	7.97
Canada *		6.500	06/04	83.0000	−0.500	9.15	9.01	9.24
Denmark		7.000	12/04	93.6700	+0.750	7.91	8.17	8.16
France	BTAN	8.000	05/98	104.7500	−0.250	6.53	6.90	7.03
	OAT	5.500	04/04	88.0300	+0.160	7.25	7.36	7.57
Germany Treuhand		6.750	05/04	99.6100	−0.190	6.80	6.88	6.99
Italy		8.500	01/04	88.5000	−0.300	10.44†	10.06	10.33
Japan	No 119	4.800	06/99	104.7070	−0.180	3.67	3.63	3.75
	No 164	4.100	12/03	98.3960	−0.130	4.34	4.40	4.41
Netherlands		5.750	01/04	92.6400	+0.240	6.82	6.79	7.05
Spain		8.000	05/04	85.8000	−	10.36	10.31	10.58
UK Gilts		6.000	08/99	92-11	−1/32	7.67	7.78	8.25
		6.750	11/04	89-22	-	8.24	8.06	8.56
		9.000	10/08	105-10	−1/32	8.35	8.19	8.59
US Treasury *		7.250	05/04	100-02	+2/32	7.24	7.27	7.08
		6.250	08/23	84-26	+2/32	7.55	7.57	7.41
ECU (French Govt)		6.000	04/04	88.8200	+0.170	7.70	7.86	8.01

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.21	Two year	6.07
Prime rate	7¼	Two month	4.29	Three year	6.38
Broker loan rate	5½	Three month	4.42	Five year	6.88
Fed.funds	4¼	Six month	4.92	10-year	7.27
Fed.funds at intervention	-	One year	5.41	30-year	7.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.98	117.20	+0.12	117.22	116.42	184,194	124,548
Dec	116.12	116.36	+0.14	116.24	115.62	1,946	13,391
Mar	115.40	115.64	+0.14	115.44	115.40	49	2,458

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
115	-	-	-	0.14	0.82	1.94
116	1.40	2.14	2.51	0.25	1.03	2.30
117	0.65	1.53	-	0.53	1.45	-
118	0.27	1.00	1.38	-	-	-
119	0.07	0.57	1.02	-	2.45	-

Est. vol. total, Calls 17,637 Puts 33,051 . Previous day's open int., Calls 367,529 Puts 372,681.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.69	93.92	+0.24	94.22	93.48	167146	170301
Dec	93.10	93.25	+0.26	93.40	92.87	1105	12013

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9350	0.52	1.25	1.19	1.57	0.10	0.83	1.44	1.82
9400	0.22	0.96	0.95	1.33	0.30	1.04	1.70	2.08
9450	0.08	0.71	0.74	1.11	0.66	1.29	1.99	2.36

Est. vol. total, Calls 9298 Puts 17003. Previous day's open int. Calls 232787 Puts 285984

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		98.71	-0.02			0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.75	104.04	+0.51	104.20	103.25	34117	75631
Dec	102.85	102.84	+0.51	102.90	102.85	20	110

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10400	1.82	2.72	1.78	3.68
10450	1.57	2.52	2.03	4.18
10500	1.30	2.32	2.26	4.48

Est. vol. total, Calls 690 Puts 1004. Previous day's open int., Calls 35307 Puts 29179

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.70	90.76	-0.05	91.05	90.42	50,728	103,418
Dec	90.45	90.44	-0.44	90.45	90.00	3	564

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103-07	103-02	-	103-16	102-18	67809	113847
Dec	101-29	102-08	-	102-00	101-29	273	1241

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
103	1-32	2-39	1-28	3-23
104	1-01	2-12	1-61	3-60
105	0-43	1-62	2-39	4-38

Est. vol. total, Calls 6548 Puts 2950. Previous day's open int., Calls 64693 Puts 51168

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	85.00	85.18	+0.18	85.24	85.70	1,653	6,002
Dec	-	84.74	+0.18	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-18	102-14	-0-06	102-21	102-08	437,279	387,438
Dec	101-26	101-20	-0-07	101-27	101-15	3,226	59,091
Mar	-	101-04	-	-	-	135	4,201

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.56			109.72	109.48	2345	0
Dec	108.60			108.77	108.56	365	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jul 21	Day's change %	Wed Jul 20	Accrued interest	xd adj. ytd		Low coupon yield Jul 21	Jul 20	Yr. ago	Medium coupon yield Jul 21	Jul 20	Yr. ago	High coupon yield Jul 21	Jul 20	Yr. ago
1 Up to 5 years (24)	122.00	−0.07	122.08	1.78	6.40	5 yrs	7.96	7.94	6.87	8.17	8.14	7.05	8.23	8.20	7.25
2 5-15 years (22)	142.07	−0.10	142.71	1.76	7.56	15 yrs	8.25	8.22	7.77	8.35	8.33	7.87	8.64	8.62	8.13
3 Over 15 years (9)	158.35	−0.23	158.72	1.06	8.11	20 yrs	8.23	8.19	7.90	8.35	8.33	7.96	8.50	8.46	8.15
4 Irredeemables (6)	182.11	−0.69	183.38	2.04	7.36	Irred.†	8.30	8.24	8.02						
5 All stocks (61)	139.26	−0.12	139.67	1.68	7.30										

Index-linked							Inflation 5% Jul 21	Jul 20	Yr. ago	Inflation 10% Jul 21	Jul 20	Yr. ago
6 Up to 5 years (2)	187.32	---	187.32	1.52	2.53	Up to 5 yrs	3.61	3.60	2.83	2.51	2.50	2.02
7 Over 5 years (11)	172.61	+0.08	172.47	0.45	3.25	Over 5 yrs	3.84	3.84	3.44	3.64	3.64	3.25
8 All stocks (13)	173.24	+0.07	173.12	0.56	3.16							

Debentures and Loans						5 year yield Jul 21	Jul 20	Yr. ago	15 year yield Jul 21	Jul 20	Yr. ago	25 year yield Jul 21	Jul 20	Yr. ago
9 Debs & Loans (76)	131.62	+0.28	131.25	2.81	5.84	9.33	9.36	8.56	9.29	9.32	8.84	9.25	9.28	8.97

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 21	July 20	July 19	July 18	July 15	Yr ago	High*	Low*
Govt. Secs. (UK)	93.45	93.71	93.89	94.03	93.91	97.97	107.04	90.99
Fixed Interest	111.75	112.07	112.31	112.43	112.39	117.11	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 20	July 19	July 18	July 15	July 14
Gilt Edged bargains	132.1	128.3	125.5	137.9	103.2
5-day average	125.4	127.6	121.5	112.3	100.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91½	91¾	-¼	7.87
Alberta Province 7⅞ 98	1000	101⅛	101¾	-¼	7.23
Austria 8½ 00	400	105⅛	105½	-¼	7.32
Bank of Tokyo 8⅜ 96	100	102½	103⅛	-⅛	6.73
United Kingdom 7⅛ 97	5500	103	103⅛		6.07
Volkswagen Intl Fin 7 03	1000	98⅜	99¼		7.19
World Bank 0 15	2000	23⅛	23½	+⅛	7.08
World Bank 5⅞ 03	3000	92½	92⅝		6.99
World Bank 8¾ 00	1250	112⅛	112⅝		6.17
Abbey Natl Treasury 8 03 £	1000	93⅞	94⅛	-⅛	8.93
Alliance Leics 11⅜ 97 £	100	108½	108⅞		7.85
British Land 8⅞ 23 £	150	89⅞	90⅜	-⅛	10.19
Denmark 6¾ 98 £	800	95½	95¾		8.08
EIB 10 97 £	837	105⅜	105⅝		7.55

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

'Disappointing' trading performance and store openings curtailed

Shoprite shares halve to 30p on warning

By Neil Buckley

Shares in Shoprite, the Scottish discount food retailer, halved in value yesterday after the group issued a profits warning and said it was "severely curtailing" its store opening programme for this year.

The statement – which came less than two months after the group revealed half-year profits substantially below market expectations – knocked the shares down from 60p to 30p. They reached a high of 243p in February.

Mr Charles Good, managing director for Scotland, said trading had remained "extremely difficult" since the interim announcement, and sales had not reached their anticipated levels.

"On the cost side we have made very big strides and our problems are not on that front", he said. "Margin management has also been good. The problem is that our actual trading performance has been disappointing."

As a result, profits for the year to October were expected to fall "significantly short of expectations" given at the time of the interim result, when Shoprite said they were likely to be about the same level as last year.

Shoprite has also decided to reduce its opening programme for this year strictly to those stores to which it is already committed, and expects to open a further 24, taking the chain to 107. That will make 44 total openings for the year compared with the 50-plus previously expected.

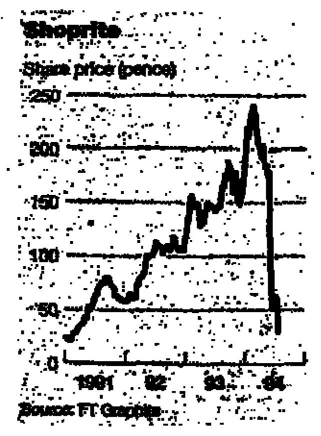
The group has also begun moves to dispose of its portfolio of non-core assets, which have a book value of about £17m.

Mr Good said a marketing and promotion campaign designed to counter the price-cutting initiatives of superstore rivals had been delayed but was about to begin, and was expected to produce an uplift in sales.

Initiatives to cut overheads and improve margins through better product mix and buying would continue, and the board had initiated a strategic review, he added.

The group had also renegotiated its banking facilities following the failure last month of a sale and leaseback deal on 11 of its stores on to a "secured and on demand basis" pending completion of the strategic review.

The company expected to begin negotiations for the provision of revised facilities after the review.



Telemetrix shows 35% fall to £5.2m

By Tim Burt

Telemetrix, the UK-based supplier of specialised electronic components, yesterday blamed a price war in North America for a 35 per cent decline in interim profits.

Pre-tax profits fell from £7.9m to £5.2m for the six months to June 30; the group said it was a victim of a 17 per cent decline in average US component prices in the second quarter.

GTI Corporation, the 58 per cent-owned US subsidiary and largest division, endured the brunt of the downturn. Operating profits fell from $9.7m to $4.2m (£2.7m).

Although demand for networking components supplied by Valor, GTI's main subsidiary, grew by 25 per cent, turnover in North America was virtually unchanged at £43.3m – representing the bulk of the group total of £65.5m (£61.5m).

Mr Tim Curtis, chief executive, accused US competitors of selling components at unsustainable margins, but claimed that Telemetrix was strong enough to sit out the price war.

"Our competitors are pricing in a stupid way, it cannot last. But GTI must move its product mix from lower to higher margin components."

The company has also increased capacity to meet growing demand, by opening new plants in the Philippines and China.

Falling profits in North America were offset partly by an improved performance by Zetex and Trend, the two wholly owned UK subsidiaries.

Zetex increased operating profits from £1.25m to £1.4m, while Trend's contribution rose by 43 per cent to £975,000.

Mr Curtis said both companies had enjoyed improved margins and were benefiting from sales of innovative products to the semi-conductor and telecommunications sectors.

Increased cash generation by the UK companies helped lift bank reserves from £9.31m to £11.9m. Mr Curtis said those funds would be used for product development and technology acquisitions in markets such as Germany.

Earnings per share fell to 3.1p (3.8p) and the company continued its practice of not paying an interim dividend.

Goode Durrant recovers

By Peggy Hollinger

Price increases and strong demand for hire vehicles helped Goode Durrant, the industrial holding company, to more than double profits before exceptionals from £4.5m to £9.6m for the year to April 30.

Turnover fell by 42 per cent to £101m, largely due to disposals. Sales from continuing businesses rose by 11 per cent to £64.6m. At the pre-tax level profits came out at £10.6m, against losses of £15.4m.

Mr Michael Waring, chief executive, said the group's strategy of focusing on the commercial vehicle and equipment hire business had been vindicated.

Since the year end, there had been signs of increased activity. Most important, the equipment and storage hire businesses had pushed through rate increases for the first time in many years.

As a result, the final dividend is increased by 17 per cent to 3.8p, for a total 11 per cent higher at 6p (5.4p).

Northgate, the commercial vehicle rental group which contributes about 80 per cent of the group's pre-tax profit, had held 4 per cent price increases last year. A further 4 per cent rise was introduced this year. Operating profits in this division rose by 77 per cent to £11m.

Mr Waring said there was a trend among customers towards hiring a greater proportion of their fleets.

Goode Durrant's equipment hire division increased operating profits by 90 per cent to £918,000 while the housebuilding division, which has been pegged for disposal, held profits at £710,000 (£705,000).

Earnings were 14.5p, against losses of 31.2p. Excluding the £20m in exceptional and non-recurring items taken in 1993, earnings rose from 5.8p to 12.7p.

Hill & Smith ahead to £1.74m

By Graham Deller

Hill & Smith Holdings, the West Midlands-based building products and steel fabrications company, announced a 17 per cent expansion in interim profits as it built upon a steady showing in the first quarter.

Pre-tax profits for the six months to March 31 amounted to £1.74m, against £1.48m. Sales advanced by a commensurate amount to £86.7m, an improvement that took place wholly in the second quarter, according to Mr John Silk, chairman.

The turnover advance, however, led to the figure for debtors rising to £23.8m at the period end, up from £18.1m at September 30. This, coupled with the decision to buy forward in steel and zinc, saw gearing rise from 16.5 per cent to 34 per cent during the same period, although it had since fallen, Mr Silk said.

Building products for the housing sector and manhole covers for the communications industry benefited from increased activity to show "significant improvements" in profits, he added, although better margins in drainage products in the UK were partly offset by reduced sales in France.

Increased volumes helped the steel stockholding side to swing into a modest profit, while the barrier and fencing operation maintained margins despite declining demand. Forging failed to show any improvement on its previous showing in spite of a "reasonable order book", Mr Silk said.

The interim dividend is 2.1p, an effective increase of 10 per cent following the 1-for-10 scrip issue in March, covered 1.67 times by earnings of 3.51p (2.99p) per share.

B&J loss deepens after restructuring costs

By Andrew Bolger

Brown & Jackson, the owner of the Poundstretcher chain of discount stores which was recently rescued by Pepkor, the South African retail group, showed pre-tax losses of £12.7m for the six months to June 30.

The deficit, £1.8m greater than last time, included professional costs of £1.4m for the financial restructuring. Turnover from continuing operations was little changed at £57m.

Pepkor, which could inject up to £56.2m in return for a 63 per cent stake in B&J, said it had started its own review of the business. Changes had already been made to reduce costs, increase stock densities and improve net margins.

Financial difficulties since the year-end had led to some suppliers delaying supplies, severely affecting customer service levels.

Losses per share were cut from 2.5p to 2p.

3i raises Ecu330m

3i, the recently floated venture capital group, said yesterday it had raised Ecu330m (£260m) for its first fund to be invested in small and medium sized private companies in continental Europe. At the first closing in February, 3i had raised Ecu300m for the fund.

Dana Exploration raises I£2.17m and makes buy

Dana Exploration, the Dublin-based metals exploration group, is acquiring TM Oil Production, a company involved in oil and gas exploration and production activities in Russia. The purchase follows an option entered into last October.

Consideration will be met by the allotment to the vendors of 75m new ordinary Dana shares following completion, with either a further issue of 20m new shares or payment of $450,000 (£296,000) within 90 days of completion, at Dana's election.

Dana is also raising about I£2.17m (£2.15m) through an 11-for-5 rights issue of 52.4m new ordinary shares at 5p each. The proceeds will provide funding for the enlarged group.

The issue is fully underwritten by T Hoare, with Money Markets International as broker.

At the same time the company announced pre-tax losses of I£18,207 for the 11 months to December 31, being entirely administrative expenses. For the year to January 1993 there were profits of I£1.22m after exceptional credits of I£1.24m.

Losses per share were 0.76p, compared with earniongs last time of 15.32p.

TM Oil's has an agreement with a group of Russian companies to develop and produce oil reserves in western Siberia.

Waste Recycling £5.5m buy

Waste Recycling Group, which came to the market in March, plans to acquire a landfill and waste disposal business for £5.5m cash.

The group, which intends to finance the deal through a placing and open offer, also reported a pre-tax profit of £346,000 for the period from February 21 to June 30.

The acquisition of the landfill and waste disposal activities at Buckden, Huntingdon, from Hunts Refuse Disposals includes a virgin site of about 3.25m cu m licensed to accept non-hazardous waste.

Waste Recycling is raising a net £5.95m through a placing by Marshall Securities of 9.72m new ordinary shares at 65p each, with a 3-for-5 clawback by eligible shareholders.

The shares fell 1p to 70p.

An extraordinary meeting is planned for August 15 to seek approval for the initiative.

Waste Recycling has provided consultancy advice to Hunts since 1983.

In the four-month period at Waste Recycling, sales were £966,000. Earnings per share were 1.6p. There is no interim dividend.

ED&F Man plans September float

By David Wighton

ED&F Man, one of the world's largest agricultural commodity traders, is planning a stock market flotation in September which is expected to value the company at about £450m.

Currently owned by 100 of its top managers, the company plans to raise between £75m and £100m in new money with existing shareholders selling no more than 15 per cent of their holdings.

For most of its 200-year history Man was primarily a sugar trader, but since the 1980s it has broadened its food interests and built a large financial services business. It is a leading trader in commodity, energy and financial futures in London, Chicago and New York and one of the world's largest managers and distributors of futures funds, with more than $1bn (£600m) under management.

Mr Harvey McGrath, managing director, said the two sides of the business fitted naturally together. "Both are about managing market risk."

Although it trades commodities as a principal, the company does not take long-term positions and Mr McGrath said it had largely eliminated the sensitivity of its earnings to prices.

Pre-tax profits jumped from £46.5m to £66.7m in the year to March, with the contribution from agricultural products more than doubling to £36.7m. This reflected recent investment in primary processing and distribution of products from cocoa to nuts.

Although the company has a strong balance sheet the flotation should enable it to obtain a higher credit rating which will improve its ability to offer clearing services in financial futures.

It will also be able to redeem $60m (£39m) of preference capital which was issued to Philip Morris in 1991 in part payment for a 45 per cent stake in the company which had been sold to its Jacobs Suchard subsidiary in 1987.

The flotation, by way of a placing and public offer sponsored by Schroders with James Capel as brokers, will value the stake of Mr Michael Stone, chairman, at between £20m and £25m, while Mr Danny Rosenblum, who heads the US operation, will have shares worth more than £30m.

Tony Andrews

Harvey McGrath: both sides of the business are about managing market risk

Boots rises 4% in first quarter

By Neil Buckley

Boots, the chemist, retailing and pharmaceuticals group, confirmed the picture of moderate recovery in retail sales with news that its sales were up 4.4 per cent in the first quarter of its financial year.

Some analysts were disappointed by the figures – particularly a 5.3 per cent fall in total sales at Do It All, the DIY joint venture with WH Smith – and the shares ended 18½p down at 522p.

The size of the fall, however, was said to be largely due to a programme sale of retail stocks by an institutional investor.

Sir Christopher Benson, at his last annual meeting as chairman before handing over to Sir Michael Angus, said sales were satisfactory in a "difficult if improving environment".

Total sales at Boots the Chemists were up 4.2 per cent, with like-for-like sales, which exclude new store openings, up 2.8 per cent.

High-margin health and beauty and personal care products were up 8 per cent, and although sales of toiletries had been affected by poor weather in June, they recovered in July.

Among the other retailing businesses, Boots Opticians lifted sales 8.9 per cent, Halfords 7.6 per cent, and Childrens World 19.4 per cent.

However, sales at AG Stanley, which operates the Fads home decorating stores, were down 0.4 per cent, and Do It All was down 5.3 per cent in a DIY market described as "dull".

On the pharmaceuticals side, the prescription drugs business increased sales 6.4 per cent, helped by a strong performance from Synthroid, the thyroid treatment, in the US.

Boots Healthcare International, the over-the-counter drugs business, also improved sales by 6.4 per cent.

However, sales at Boots Contract Manufacturing fell 3.6 per cent, largely due to the withdrawal of the Manoplax heart drug which it was manufacturing last year.

Car safety fears behind First Technology advance

By Andrew Bolger

Mounting concern over vehicle safety helped First Technology, which supplies sensors and crash dummies to the car industry, sharply increase profitability.

Pre-tax profits jumped by 76 per cent to £4.1m in the year to April 30. Sales were 31 per cent higher at £84m, with overseas sales accounting for 89 per cent of the total.

The shares rose 14p to 319p.

The automotive electronics division, which accounts for 75 per cent of profits and turnover, benefited from strong car sales in America and the rapid growth of new business in Europe. Sales were up 43 per cent.

The group said its fuel cut-off sensors were being fitted by Fiat, Peugeot/Citroën and one other unnamed manufacturer, which together could eventually add up to a total of 5m vehicles a year.

The safety and crash division, which supplies dummies to manufacturers, increased profits on only marginally-increased sales. The group said the current year had started well. New product launches included child dummies and a pregnant woman.

First Technology said that in North America and certain parts of Europe, including the UK, key economic indicators looked good for the medium term. In most markets, the economic position was finely poised between recession and the first signs of recovery.

Mr Fred Westlake, chairman, said: "Overall, we believe the outlook is more encouraging than it has been for a considerable period of time."

He said the group was interested in developing its sensor business in Japan – probably through a joint venture or licensing arrangement with a local manufacturer.

Earnings per share increased by 61 per cent to 17.33p (10.75p). A final dividend of 2.5p makes a total for the year of 3.5p (1p).

New designs are provided to satisfy growing concern for safety

● COMMENT

Car safety trends seem to be going First Technology's way, and an increasing number of European manufacturers are joining the US leaders in fitting the group's fuel cut-off sensor to their vehicles. The fall in gearing from 52 per cent to 19 per cent means the group can even consider making acquisitions again, although only closely related business would be considered. A more immediate prospect is expansion through a joint venture in Japan, where the group currently has no exposure. Forecast profits of £4.7m put the shares on a prospective multiple of 16 – in line with the sector. Given the orders outlook, they look good value – and the group's niche market position could also make it an attractive acquisition target.

Sime Darby sets its sights on Europe with purchase of Lec

By Caroline Southey

Sime Darby, the Malaysia-based conglomerate and one of south-east Asia's biggest multinationals, announced its first foray into manufacturing in Europe with the proposed acquisition of Lec Refrigeration, the West Sussex-based refrigeration equipment manufacturer.

Lec's main shareholders with 51.97 per cent of its equity, including the trustees of the estate of Mr Charles Purley, the company's founder, the trustees of the Purley Family Trust, and Candy Holdings, have accepted the cash offer of 358p per share, which values the company at £21.7m.

The offer represents a premium of 21.4 per cent over the middle market price of 295p per Lec share.

Mr Nik Mohamed, group chief executive of Sime Darby, said Lec's white goods brand name would complement the company's operations and provide it with manufacturing capacity in Europe. He added that Sime's financial resources would enable Lec to expand its product range and penetrate new markets.

Mr Don Durrant, Lec finance director, said the deal would allow Lec to implement its planned £13m investment in new plant and machinery over the next three years.

Lec reported pre-tax losses of £838,000 in 1993 against losses of £2.86m the previous year on turnover of £37m (£41m). It employs 930 workers.

Although Sime has extensive international exposure, including divisions in Malaysia, Hong Kong, Singapore, the Philippines and Australia, the acquisition provides it with its first manufacturing base in Europe.

Sime operates 200 companies, employing 30,000 people worldwide. It reported pre-tax profits of M$840m (£215m) against M$755m on turnover of M$7bn (M$6.2bn) in the year to June 30 1993.

Saville Gordon jumps to £5.6m

By Paul Cheeseright, Midlands Correspondent

Shares of J Saville Gordon, the property group with merchanting interests, yesterday rose 5p to 68p following the announcement of more than doubled pre-tax profits and its first dividend increase for five years.

Pre-tax profits for the year to April 30 advanced from £2.35m to £5.6m.

Earnings per share were 3.9p (1.4p). Although the final dividend was unchanged at 1.7p, the total for the 12 months was 2.7p, against 2.2p for the previous four financial years.

Turnover on continuing operations rose to £30.6m (£23.1m). The progress was helped by a rise of nearly £3m to £18.7m in sales of pipeline equipment, the resumption, after a year's absence from the market, of property trading sales at £4.18m, and increased property rental income as rent reviews produced higher revenue.

This year's rental income should be higher following the purchase of a shopping centre and a portfolio from NFC, while demand is increasing on the merchanting side.

Net asset value advanced to 58.3p (47.4p).

NEWS DIGEST

YRM losses deepen to £2.84m

Shares in YRM fell 5p to 17p after the building design consultancy reported its second consecutive annual loss and again passed its final dividend.

On turnover down from £14.1m to £9.7m, pre-tax losses for the year to April 30 deepened from £1.98m to £2.84m.

After a tax refund of £163,000 (£315,000) the retained loss was £2.68m (£1.7m) and per share 20.27p (12.58p).

Directors said that competition and fee tendering for available projects remained intense, and the need to reduce overheads had led to further redundancies involving costs of £420,000 (£358,000).

YRM's overdraft facility has recently been extended to November and the auditors do not intend to qualify their opinion on the group's financial statements in this respect.

They do, however, intend to make reference to fundamental uncertainty relating to the going concern basis and to the Hotel Praha project, again without qualification of their opinion.

Elbief

Elbief, the Birmingham-based manufacturer of photograph and handbag frames, clocks and mirrors, yesterday announced a sharp reduction in annual losses after the improvement shown in the first half was sustained after the Christmas period.

On turnover ahead from £3.74m to £4.19m, the pre-tax deficit for the year to April 30 was cut from £592,000 to £257,000.

Losses per share were 2p (4.3p).

Holders Tech

Shares in Holders Technology fell by 32p to 147p after the USM-quoted distributor of high precision tools and specialist materials reported pre-tax profits for the six months to May 31 down 39 per cent at £152,000, against £251,000.

The result was despite an 11 per cent rise in turnover to £2.21m (£1.99m).

Earnings per share were 3.3p (5.39p). The interim dividend is maintained at 2p.

Southend Property

Exceptional profits from the sale of a subsidiary and associated companies enabled Southend Property Holdings to report pre-tax profits of £5.09m for the year to end-March, against £513,000.

During the year, net asset value increased slightly to 94.2p, the company said. The shares added 5p to close at 70p.

Operating profit advanced to £13.3m, against £12.7m which included £295,000 from discontinued activities. However, there was a profit of £3.94m (£36,000) on sales of investments in subsidiaries and associates, offset by a loss on disposal of investment properties.

The sales mean that for the first time in many years the figures from non-property activities will not now be consolidated. In the year under review the figures included only six months from Mt Martin Gold Mines.

Turnover was £22.2m, compared with £31.8m which included £4.19m from discontinued activities in non-property trading.

Earnings per share were 4.13p (losses 0.58p). A final dividend of 1.6p is recommended for a total of 2.4p (4.25p).

Edinburgh Java

Net asset value per share of Edinburgh Java Trust stood at 46.9p at June 30, against 51.39p six months earlier and 39.3p at end-June 1993.

The company incurred a deficit of £88,000 (£16,000) for the period, giving losses per share of 0.2933p (0.0908p).

The trust, managed by Edinburgh Fund Managers, was formerly known as EFM Java Trust; its investments are concentrated in Indonesia.

Eliza Tinsley

Aggressive pricing helped Eliza Tinsley increase sales 7 per cent in the year to the end of March.

Turnover for the USM-quoted hardware manufacturer rose from £15.1m to £16.2m, though trading margins were squeezed – operating profits improved 6 per cent to £922,000 (£867,000).

After a reduced interest charge, pre-tax profits rose 12 per cent, from £713,000 to £801,000, with earnings per share up 8 per cent at 7.18p (6.62p).

Increased seasonal stocking was offset by improved debt collection, leaving gearing virtually unchanged at 21.4 per cent.

The final dividend is unchanged at 3.65p, making a total of 5.61p (5.45p) for the year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
First Technology	fin	2.5	Oct 7	1	3.5	1
Goode Durrant	fin	3.8	Sept 14	3.25	6	5.4
Hill & Smith	int	2.1	Sept 26	1.91*	-	5.64*
Holders Tech §	int	2	Sept 9	2	-	6
Saville Gordon	fin	1.7	Oct 26	1.7	2.7	2.2
Southend Prop	fin	1.6†	Oct 3	2.73	2.4	4.25
Tinsley (Eliza)§	fin	3.65	Oct 3	3.65	5.61	5.45
Wellcome	int	5.8‡	Oct 4	-	-	17.3
YRM	fin	nil	-	nil	nil	0.5

Dividends shown pence per share net. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Second interim; current period covers 16 months.

BRITISH & COMMONWEALTH COLLAPSE: THE DTI REPORT

John Gunn built British & Commonwealth Holdings into a company worth £2.5bn in a few furiously busy years in the 1980s. But his purchase of Atlantic Computers, a deeply flawed company, proved his undoing. B&C crashed in 1990 with £1bn in liabilities. Suits and counter-suits against advisers are seeking some £3.5bn in compensation

The pyramid structure that got out of control

ATLANTIC'S RISE

By Simon Davies

The most extraordinary feature of the collapse of Atlantic Computers was that it did not happen earlier.

Founded in 1975 by two computer industry colleagues, it grew into a £500m business within 12 years, but the commercial core of the business was fundamentally rotten from the start.

By the time British & Commonwealth bought into Atlantic for £408m in 1988, Mr Vernon Davies had long lost interest in the business and the more aggressive Mr John Foulston had been killed in a motor racing crash.

But the pyramid sale structure was out of control and could only be propped up by some highly questionable accounting policies, and an obsessive emphasis on increasing the level of sales, at any cost.

One of the more disturbing details to emerge from yesterday's report is the extent to which profits were propped up by "imprudent" accounting between 1983 and 1988, the inspectors conclude.

Atlantic reported pre-tax profits of £137.6m. If prudent policies had been followed, it would not have been able to report "any significant profits during that period".

Atlantic was formed after Mr Foulston and Mr Davies spotted a niche in what was the boom sector of the latter half of the 1970s – computer leasing.

The two men had worked together at Memorex UK for four years, and initially set up a consultancy and peripherals supplier, but then moved into leasing.

At the time, lessors of substantial computing systems were faced with the choice of long-term leases, which provided cheap finance, but offered no ability to upgrade during a period of rapid technological change. The alternative was a far more expensive short-term lease.

Atlantic devised the Flexlease. As the report states: "the raison d'etre of Flexlease was the aversion of both lessors and lessees to the risks inherent in residual investments in computers, and the apparent success of Flexlease lay in the fact that Atlantic was prepared to assume those risks."

The flaw to this equation was that, whether or not it was actually aware of the level of its risks, it certainly never revealed them, and its liabilities snowballed.

The man in control of the group was undoubtedly Mr Foulston. He was nominally in charge of the sales side of the business, but he increasingly dominated its entire strategy.

Mr Len Jagger and Mr Ian Skipper, the businessmen who took a 60 per cent stake in Atlantic in June 1982, told the inspectors that their main consideration was "the energy, ambition and determination" of Mr Foulston.

Mr Davies handled company finances, despite having a sales rather than accounting background, but despite being in the shadow of his powerful partner, the report concludes that both men kept a tight control over the business.

On the face of it, they were immensely successful. The company made profits of £1.2m, rising to more than £5m by 1983. The two men cashed in £2m from the share sale to Messrs Jagger and Skipper in 1982, and retained extremely valuable stakes in the company.

In reality, however, the business was profitable only in so far as it reported its maximum potential profits without recognising any of its substantial liabilities.

When Atlantic leased out a computer system, it booked a profit on the difference between the cost of the system and the sale price to the finance company that lent the money.

There was no acknowledgement of the liabilities inherent in the Flexlease, which enabled lessors either to swap the leased computer system for another after three years (a flex), or to terminate the lease after five years (a walk), or both.

The report estimates that the company's "Walk" liabilities amounted to £160m by early 1989.

The extent of its problems was not entirely hidden at the time. Competitors had pointed out the flaws, and a report by Price Waterhouse at the time of the 1982 buy-out by Mr Skipper and Mr Jagger raised numerous concerns over the nature of the leases.

One year later, the company was launching a full London flotation valuing it at £55.2m. The offer was 1.9 times subscribed.

The prospectus was extremely misleading. The inspectors claim that Mr Davies and Mr Foulston "deliberately deceived" the financial advisers as to the prevalence of "Walk" options.

They claimed these covered about 5 per cent of Atlantic's leases, when the actual figure is estimated at between 60 and 90 per cent. The balance sheet contained no provisions for any of its break-options.

In addition, Atlantic had introduced a critical, but highly questionable, accounting policy towards these leases.

At the end of the lease period, Atlantic had an option to take the computer equipment for a nominal sum.

It attached a net present value to that option, based on current estimates, and not only wrote that value into its balance sheet at the time the lease was signed, but recognised it as a profit.

The unpredictability of computer resale values should not have surprised Atlantic, since it had taken a £966,000 provision against stock write-downs on obsolete IBM models – this was taken in its 1980 results, and helped emphasise a trend of rising profits.

The recognising of the residual value on these leasing deals was of fundamental importance to Atlantic's balance sheet. It accounted for 60 per cent of 1981 profits and 74 per cent of those in 1982, building an earnings base on very uncertain foundations.

The nature of Atlantic's potential liabilities, from the Flex and Walk elements of its leases, put immense pressure on Atlantic to increase sales, and encouraged by Mr Foulston, sales staff took increasing risks to secure a deal.

Mr Davies had sold £3.9m of his shares in the flotation, and he eventually sold out of the business in May 1986 for a further £13m.

Mr Foulston became increasingly dominant, but in a more competitive market, staff were offering deals that were described as suicidal in terms of their potential liabilities, but which propped up short-term earnings.

However, by 1987, Mr Foulston's interest in motor racing was taking up more of his time – he owned 70 per cent of Brands Hatch Leisure, which operated the racing track.

When he died in a motor racing accident in September that year, there was no management team in place that could replace him. It was only a matter of time before the inherent flaw in his Flexlease destroyed the company.

Never quite became 'one of us'

MAVERICK GUNN

By David Wighton

Mr John Gunn, the man who presided over Britain's biggest ever financial collapse, has never quite fitted the part.

His downbeat style and air of moral seriousness always set him apart from the other flamboyant dealmakers who built and lost empires in the 1980s.

Yet few could match the scale of his achievements or the disaster which came in their wake.

In a few heady years he expanded British & Commonwealth into a financial services group worth £2.5bn only to see it collapse leaving debts of £1bn.

The son of a Cheshire railwayman, he has never been quite accepted as "one of us" in the City, although at the height of his career he was the toast of the town.

In his quiet determination and confidence in his own abilities he has much in common with his cricketing hero Geoffrey Boycott, the Yorkshire batsman.

After studying German at Nottingham and Friburg Universities, where he met his German wife and developed an interest in the country's literature and stamps, Mr Gunn started his career in the foreign exchange department of Barclays Bank in Manchester.

Eventually frustrated by his lack of promotion he moved to London and Astley & Pearce, a small money broker.

Some 11 years later he created Exco to buy Astley from its main shareholder, Astley & Pearce.

Backing came from the wealthy Cayzer family, whose formidable reputation as canny investors has only been enhanced by their association with Mr Gunn.

Exco was floated on the stock market in 1981 at a value of £60m. Five years later, after a string of acquisitions, it was worth £500m.

In 1985 Mr Gunn walked out after disagreements with his boardroom colleagues. Lord Cayzer, who had done very well out of Exco, offered him a job at British & Commonwealth, the conglomerate controlled by the family's Caledonia Investments.

Once the UK's largest shipping company B&C had developed into a highly diversified holding company into which the Cayzers were trying to breathe new life.

In 1986 Mr Gunn became chief executive, having convinced the family that the group should concentrate on financial services.

"I can do what I want, more or less, subject to the agreement of the rest of the board," Mr Gunn said at the time and used that freedom for a £2bn acquisition spree.

His first move was to buy Exco for £637m. Less than a year later he spent £560m on Mercantile House and then strengthened B&C's presence in fund management by adding Oppenheimer in the US to its own Gartmore Investment Management in the UK.

"We are looking to build up the largest non-banking financial services company in the UK," he said. But as Mr Gunn celebrated that year's £1m pay cheque the Cayzers were looking to sell.

In October 1987 B&C agreed to buy back 25 per cent of its shares held by Caledonia Investments for £427.5m.

The deal was based on a share price of 475p and was struck just days before the stock market crash.

The shares quickly dropped by more than 150p and continued to fall steadily. Three years later they were worthless.

In April 1988, at the age of 46, he received the Guardian Young Businessman of the Year award. As so often happens, this marked the peak of his career which started going badly wrong three months later with the £400m acquisition of Atlantic Computers.

It is still debatable what would have happened to B&C had it not bought Atlantic. But there is no doubt that it would have experienced serious financial difficulty in the recession.

Mr Gunn had constructed a group highly sensitive to interest rates with a large amount of floating rate debt.

As the economy slowed Mr Gunn tried to shore up the balance sheet with disposals.

"I am not much good at anything else apart from doing deals," he said at the time.

But he proved less adept at selling companies that buying them.

An agreement to sell Exco to Mr Gary Klesch's Quadrex fell through. The failure recently led to a successful claim for £172m by B&C's administrators against Samuel Montagu. The merchant bank had provided assurances that Quadrex had funds to pay for the deal which never materialised.

In 1990, B&C raised £140m from the sale of Gartmore, which recently returned to the stock market.

However, when it was forced to write-off £550m as a result of the collapse of Atlantic, the balance sheet could not take the strain.

Its bankers attempted to mount a rescue but when the Securities & Investments Board ordered firms to remove money from the British & Commonwealth Merchant Bank there was no option but to call in the administrators.

At the time it was widely assumed that there would be little left for creditors, let alone shareholders. But the administration has been more successful that expected.

The flotations of Celltech and most recently Exco have brought in more than originally projected and creditors of the group finance subsidiary, owed more than £700m, could eventually get 29p in the pound.

The final figure will depend on the string of legal actions the administrators have started. Creditors of the merchant bank have already been repaid in full.

Since the collapse Mr Gunn has develop a new career as a "business angel" investing in and helping small companies. He also has two non-executive directorships at public companies, Midland & Scottish Resources and Glenchewton.

He said yesterday he would continue to pursue these interests at the same time as vigorously defending himself against the disqualification action.

"In my career I have been a director of literally hundreds of companies and only had one problem," was his comment yesterday.

Leasing liabilities that led to downfall

FLAWED LEASES

By Simon Davies

The heart of Atlantic Computer's dramatic rise and fall was the Flexlease, which provided the basis for almost all of the group's computer leasing business.

Flexlease was designed to give a company the benefits of taking a long-term lease over a computer system, together with the flexibility to break that lease at what appeared to be a minimal extra cost.

The basic lease had an average life of six years, and comprised an agreement between a bank or other funder, and the party acquiring the system.

However, there was a separate management agreement, whereby Atlantic provided an opt-out for the lessor. Under some agreements, the system could either be returned to Atlantic in exchange for the replacement equipment (a flex), and in others it could be terminated (a walk).

The Flex was generally triggered after three years, and the Walk after five years. An increasing number of leases included both options.

Atlantic's sole means of mitigating losses from this area was by selling the machinery, and generating a profitable replacement lease on a Flex.

Since the fall in the value of second-hand computer equipment was more rapid than the outstanding lease obligations, this was a dangerous tie-up.

Atlantic had a hidden weapon: the Flex agreement was worded so as to be, in the judgment of the investigators, legally unenforceable by the customer.

While it enabled an early break "at no penalty", it also allowed for the interpretation that subsequent losses could be recovered through the terms of the new lease.

Ultimately, the only way Flexlease could remain profitable was by ensuring sufficient new sales to cover its ballooning liabilities. The collapse of the company that devised it was all but inevitable.

Catalogue of errors and misinformation

B&C'S COLLAPSE

By William Lewis

The end came quickly for British & Commonwealth, shortly after it realised the huge burden it had acquired with Atlantic Computers. But before Mr David McCormick, Atlantic Computers' chief executive, alerted B&C directors, he sold shares in the group, the DTI inspectors report.

On April 12 1989, Mr McCormick, telephoned Mr McFadyen, a partner in accountancy firm Moores Rowland in Jersey.

Mr McCormick, who joined Atlantic in 1986 and was appointed chief executive after its acquisition by B&C, had built up a holding of 1.2m shares in B&C through Fundinco, a company controlled by trustees for the benefit of himself and his family. That afternoon he instructed Mr McFadyen to sell 500,000 shares. The deal, which raised approximately £1m net, came after Mr McCormick had become aware of a contingent liability for Atlantic "far in excess of £30m to £40m", say the DTI inspectors. Information concerning the sale has since been referred to the DTI.

The same week, Mr McCormick told colleagues that Atlantic's liabilities were substantially higher than the £30m to £40m. Mr Nicholas Kennedy Scott, then a director of Atlantic and B&C, and Mr Adrian Howe, later to become Mr McCormick's personal assistant, were told that Atlantic's gross liability was £160m, none of which had been provided for in Atlantic's accounts.

The information "was the first clear disclosure to B&C that Atlantic faced serious problems", the report says. It marked the beginning of the end for B&C.

Two years earlier the two senior directors of B&C, Mr John Gunn and Mr Peter Goldie, had been regarded as successful and experienced in corporate acquisitions.

During the 1980s, B&C was transformed from a broadly-based industrial group to a financial services business. It was a transformation achieved on the back of substantial borrowings when interest rates were relatively low. B&C was also committed to buying out, over a short period, the interests of the Cayzer family, former controlling shareholders.

B&C imposed minimal head office control on divisions. This "hands off" management philosophy "may have had its merits", says the report, but "it also posed a serious risk for B&C if the business management of any of its divisions had not been thoroughly researched and understood before acquisition".

For B&C the attraction of Atlantic was that it would replace the earnings of Bricom, which it had sold in 1988. It saw Atlantic as a strong financial services group with substantial overseas interests, and Atlantic's accounts indicated that it had strong cash and fast-growing profits.

But the inspectors conclude that B&C completed the deal without having a clear understanding of the Flexlease, by which Atlantic conducted most of its leasing business.

"The root cause of Atlantic's failure lay in the lack of commercial viability of its core product, the Flexlease, and the way in which Atlantic accounted for profits and failed to make provision for the contingent liabilities associated with the Flexlease," the inspectors say.

B&C was told by Atlantic on several occasions that it was not exposed to residual risks, and never seriously questioned those assurances. The report primarily blames Mr John Tomkins, Atlantic's chief executive, and Mr Kennedy Scott for the misrepresentations.

The report also highlights the "ill-defined" relationship that B&C had with its external advisers, BZW and Outram, Cullinan & Co, a firm of strategy consultants. "B&C appears to have been looking to BZW for advice of a kind that BZW believed was not within their remit." The inspectors suggest that there should have been a detailed letter of engagement between BZW and B&C.

The inspectors also say that BZW should have adopted a more independent and critical stance in appraising the thoroughness of B&C's enquiries, enabling them to recognise the shortcomings.

B&C's decision to go ahead with the deal was also influenced by the fact that Atlantic's published accounts had been given unqualified audit reports by Spicer & Oppenheim, as well as by a flawed OC&C valuation report of Atlantic.

The valuation contained "a serious, but readily detectable, error which was not noticed by B&C, BZW or OC&C": its definition of operating cash flows. "It appears to us that the valuation of Atlantic prepared by OC&C had a material influence on the B&C principal directors' decision to proceed further with the acquisition negotiations," the inspectors state.

"In our opinion this financial disaster for B&C and its shareholders would have been avoided if B&C had adopted a thorough professional approach to its pre-acquisition enquiries." B&C acquired Atlantic at the beginning of September 1988 for about £408m.

Within seven months, three directors of B&C – Mr Gunn, Mr Goldie and Mr Rusty Ashman, finance director – had been told of gross liabilities estimated at £160m in the UK and US. They first learnt of it, according to the inspectors, shortly after B&C had issued a preliminary announcement of its 1988 results, but before signature of either Atlantic's or B&C's 1988 accounts.

The three men resolved that the 1988 accounts of B&C should not be amended to provide for Atlantic's liabilities; that Spicer, Atlantic's auditors, and Deloitte Haskins & Sells, B&C's auditors, should not be told; and also that the matter should not be disclosed to the rest of the B&C board.

As a result, Atlantic's published accounts for 1988 were "grossly misleading" and the inspectors conclude that Atlantic "in all probability had never made a profit".

It was not until late July 1989 that the whole B&C board was informed of Atlantic's contingent liability problem, and it was only after the appointment of Mr Mark Wood as managing director of Atlantic in March 1990 that "B&C finally set about a realistic and objective assessment of Atlantic's business for the first time". Mr Wood reported that facilities of up to £160m were required if Atlantic was to survive. B&C could not provide such funds.

"The decision was taken, in our view reasonably, to place Atlantic into administration," the inspectors state, summing up the response of B&C's management to the contingent liability problem as "much too little, much too late".

Soon after, on June 3 1990, B&C itself went into administration.

Hopes rise of resolving legal tangle

WRITS FLY

By John Mason

The DTI report into Atlantic Computers looks set to have a substantial impact on the complex raft of legal actions spawned by British & Commonwealth's disastrous acquisition.

A welter of large-scale litigation – with over 70 claims and counter-claims totalling well in excess of £3bn – has been prompted by the affair. Most leading London law firms are involved in acting for somebody caught in the legal crossfire. The litigation, should it ever reach court, would prove exceptionally complex, exhausting and expensive.

The report is now being closely studied by the lawyers concerned. The amending or even dropping of some of the actions is considered possible.

Yesterday, both lawyers and their clients were refusing to comment publicly on the possible impact of the report on their individual legal actions. However, there was private agreement that it could act to partially resolve what is rapidly becoming a legal mess.

"Clearly there is now a need to re-examine the whole situation in the light of the report," said one participant in the legal battles.

In its conclusions, the report makes little or no criticism of the professional advisers involved in the acquisition of Atlantic Computers by B&C, apart from Spicer & Oppenheim, the computer company's auditors.

This lack of criticism could affect one of the largest actions outstanding – that brought by Ernst & Young, the British & Commonwealth administrators, against Barclays de Zoete Wedd, the securities arm of Barclays. In this action, the administrators are suing BZW for approaching £1bn. The auditors are alleging BZW was negligent in carrying out its role as adviser to B&C over the acquisition.

Ernst & Young have also brought the other main claim in the welter of litigation – a similar £1bn action against former Atlantic directors including Mr David McCormick, the former chief executive, Mr John Tompkins, his predecessor and Mr John Gillum, a former Atlantic chairman. In both cases, the writs have been issued, but the actions are still in their very early stages and no date has yet been fixed for them to reach court.

It was these claims by Ernst & Young which effectively triggered the flurry of other writs, as other parties responded by launching their own actions to protect themselves or creditors.

BZW responded to the administrators' claims by mounting its own series of actions. These are against OC&C, Coopers & Lybrand, NM Rothchild and Spicer & Oppenheim, along with three former Atlantic directors, Mr Tompkins, Mr Nicholas Kennedy-Scott and Mr McCormick. BZW has yet to put a figure on the scale of these claims.

In further actions, Price Waterhouse, the Atlantic administrators, are suing Spicer & Oppenheim and former directors of the computer company – again for sums approaching a total of £1bn.

It will be some months before the impact of the DTI report on the mountain of litigation becomes clear.

But, as one litigant put it: "It has become horrendous. Everyone is going around in circles. We have got to find a way of simplifying this, otherwise we will be arguing for years. The DTI report will clarify some of the issues. It could trigger more claims, but hopefully it may simplify this mess."

BRITISH & COMMONWEALTH COLLAPSE: THE DTI REPORT

DTI censure offers insight into auditing

AUDITORS CRITICISED

By Andrew Jack

Yesterday's DTI report on the accountants involved with Atlantic Computers and British & Commonwealth includes a powerful criticism of one firm, and strong remarks about two others in a rare insight into the audit process.

Singled out for most criticism is Spicer & Oppenheim, now part of Touche Ross, which became auditor to Atlantic in preparation for the company's float in 1983, and remained in place until June 1989.

The DTI inspectors say that, in a report produced in 1983, the firm failed to carry out sufficient investigative work as specified in their terms of reference, and did not take adequate steps to verify the information provided to them.

They criticise Spicer's report on Atlantic's working capital forecast at the time of the company's takeover by B&C in 1988. They say no account was taken of Atlantic's trading and funding difficulties and that the firm did not follow up concerns raised in a report by a subsidiary auditor on the possible need to provide for losses on lease contracts.

During 1983 to 1987, Spicer planned its audits without sufficient understanding of the risks of the company, relied too heavily on Atlantic's own accounting control systems when it knew their weaknesses, and did not consider sufficiently carefully the recommendations about risks identified by KPMG Peat Marwick, auditor of several subsidiaries.

The 1988 audit placed excessive reliance on Atlantic's internal controls, did not justify the introduction of a higher level of "materiality" beyond which concerns would have been flagged, did not set adequate objectives and was "poorly conducted" in a number of areas.

The inspectors say stock was not properly confirmed, a planned circular of debtors not carried out, incorrect conclusions drawn from reconciliations between equipment and lease income, and sections of the audit file not adequately reviewed or detailed to show significant problems met during the audit.

The inspectors suggest that Spicer was inclined to accept problems as not material and include them in the post-audit letter, rather than raise them with Atlantic before providing audit clearance.

They conclude that the Spicer audit was conducted in good faith and that there was no evidence to suggest there was any collusion with Atlantic. But they stress that the firm was responsible for the audit and should have designed procedures to identify and address the areas of risk.

Touche Ross distanced itself from the conclusions of the report last night and stressed that matters relating to Spicer were "ring-fenced". It is believed that the engagement partner at Spicer for Atlantic had not joined Touche when the two firms merged in 1990.

> "In our view Spicers' failings had their origin in Spicers' inability to establish credibility and influence with Atlantic at the very beginning of their involvement in the days of Mr [John] Foulston. [Co-founder of Atlantic]. This led to a passive relationship in which Spicers would be challenged rather than consulted. From the outset Spicers did not have a sufficient understanding of Atlantic's business, and in particular of Flexlease and its attendant risks. Spicers failed to develop their knowledge and understanding of the business at the same pace as the business itself developed. This lack of understanding hindered the effectiveness of Spicers' audit procedures such that by 1988 there were significant failures in the approach and conduct of the audit."
>
> **DTI report**

Spicer said last night: "The partners disagree with much of what the inspectors say about them. They do not believe that anything Spicer did caused the collapse of Atlantic or B&C to buy it. The real story is not about them but about corporate governance."

The DTI inspectors also considered the role of three other firms of accountants. Rowland Nevill, now part of Moores Rowland, was instrumental in the formation of Atlantic in 1975 and acted as auditors of the company until 1982.

The inspectors concluded that recollections from so long ago were hazy, that the company was in its infancy and that a balanced and objective assessment of the audit would be impracticable.

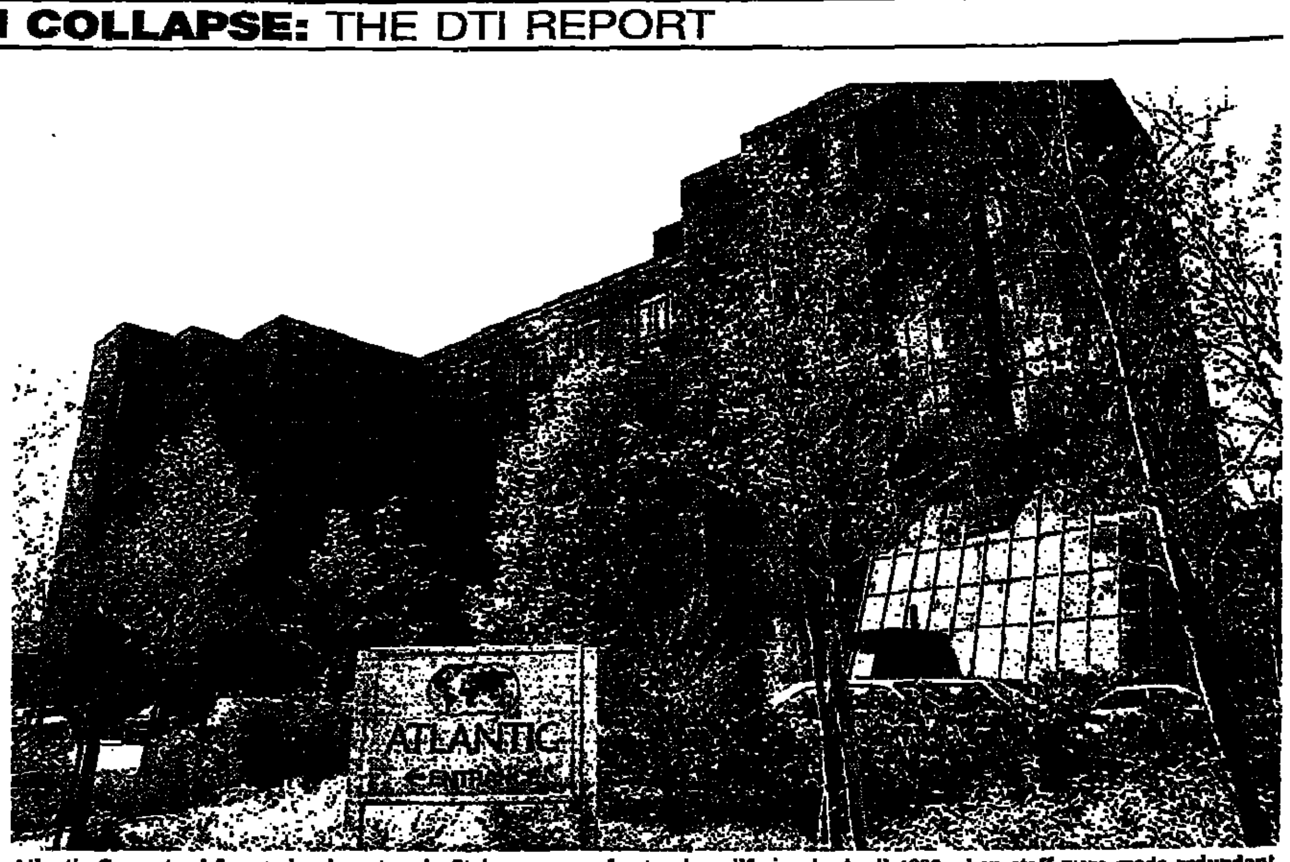
They considered the role of Deloitte Haskins & Sells, now part of Coopers & Lybrand, which was auditor of B&C during the period of its involvement with Atlantic.

They expressed "surprise" that Deloitte relied so heavily on Spicer's audit of Atlantic's accounts when they should have been aware that the company was a high-risk audit. They said a careful reading of Spicer's audit files should have alerted Deloitte to deficiencies in the accounts.

There was no criticism of Deloitte's role in the 1989 interim statement, nor of its review of Atlantic's accounting policies following its acquisition – since they were instructed by their client not to complete the review.

KPMG, which took over as auditors of Atlantic from Spicer in 1989, identified the problem of Atlantic's exposure to potential liabilities early on and were justified in accepting the assurances of the company's directors that the exposure was dealt with, the inspectors say.

However, they say there was "an unfortunate lack of clarity" in framing its audit opinions, which did not communicate its reservations in a way that was picked up by Spicer. The inspectors blame "lack of perceptiveness" on Spicer's part rather than criticising KPMG on the matter.



Atlantic Computers' former headquarters in Staines, scene of extensive pilfering in April 1990 when staff were made redundant. According to one director: "Stuff just walked out of the door: customer lists, PCs worth thousands, £500 to £1,000 prints, anything that wasn't physically locked down." As he spoke a woman emerged from the building carrying a painting towards her car

Financial advisers criticised

ADVISERS' ROLE

By Norma Cohen

Barclays de Zoete Wedd, the UK-based merchant bank, was criticised yesterday by the Department of Trade and Industry for its role as the financial adviser to collapsed British & Commonwealth in its bid to acquire Atlantic Computers – a bid which proved to be B&C's undoing.

BZW's role is now the subject of a series of writs, and it in turn has issued writs, in connection with events at Atlantic Computers and B&C.

The thrust of the DTI's criticism of BZW is that even professional investors could have been misled into thinking that BZW endorsed B&C's view that the purchase was a wise move. The circular asking B&C shareholders to approve the Atlantic acquisition said: "Your directors, who have been advised by Barclays de Zoete Wedd, believe that the acquisition of Atlantic is in the best interests of stockholders."

BZW told the DTI that this could not be taken as an endorsement of the board's decision and said its role had been limited to offering financial advice. The DTI concluded that on this more limited area – essentially a co-ordinating and facilitating role in a bid – "we have seen nothing to suggest that BZW did not perform these functions in a wholly satisfactory manner."

Although the UK Takeover Code requires the target company to obtain independent financial advice on behalf of shareholders, there is no obligation on the part of acquiring companies. BZW had argued that this role was understood by merchant banks in the City.

However, the DTI concluded that the wording of the circular would have led most professional investors to assume it had actually taken a view on the merits of the acquisition. The report noted that BZW invoiced B&C for £600,000 in connection with arranging the bid and an additional £400,000 for other matters including "an appraisal of Atlantic".

The DTI concluded that BZW had adopted "an insufficiently robust approach" during its investigation of Atlantic.

The DTI also criticised Outram Cullinan & Co, the strategy consultants now owned by Coopers and Lybrand, for their role in evaluating the benefits of the buy.

While noting that OC&C had warned B&C that its analysis was hindered by the refusal of Atlantic to supply key information, it failed to reiterate that at a B&C board meeting where the decision to acquire Atlantic was made. In its defence, Coopers said the firm had expected B&C to undertake further due diligence and it had not realised that the meeting was the one where the decision to buy Atlantic would be taken.

Jobs: Young finance directors are breaking into the top echelon of directorships

Initials that stand for main board advance

The youngest Turks in UK boardrooms are likely to be linguists with at least a brace of qualifications to go with their drive and ambition, according to a study into the board compositions of big companies.

Korn/Ferry Carre/Oban International, the executive search company, identifies what it calls a "new breed of executive" in its research, covering more than 1,000 directors in 154 companies. The survey sample, drawn from The Times 1000 list of the UK's largest companies, has produced discernible trends in the composition of boardrooms, which may include some useful pointers for recruiters.

One of the most striking features is the emergence of MBAs as an increasingly prevalent qualification among directors. The report found that 10 per cent of executives under the age of 50 had MBAs.

Many of the younger and more highly qualified directors, said the report, are fluent in at least one foreign language and have practical experience of working overseas. Only two years ago a similar body of research found that fewer than 1 in 5 UK directors had a second language. Unfortunately the survey did not produce an overall languages comparison this year but intends to have another look next year.

Some 71 per cent of directors in companies with £1bn annual turnover and above, compared with 63 per cent in last year's sample, had degrees.

A trend away from accountancy qualifications seems to be emerging among finance directors. Among the 35 finance directors surveyed in the £1bn-plus companies, just over half had accountancy qualifications and just less than a quarter had MBAs.

In previous years accountancy qualifications had dominated to a much greater degree over a smaller number of MBAs. This swing in emphasis among qualifications is even more apparent in the report's analysis of directors by generation.

Only 5 per cent of chairmen, deputies and chief executives over the age of 50 in the sample had degrees, compared with 61 per cent of degree holders among their younger counterparts. While the older generation had the edge on legal qualifications, younger directors had more accountancy qualifications and MBAs.

One figure that bucked this trend was the greater percentage of finance directors over the age of 50 with accountancy qualifications than in the younger age group.

Michael Brandon, the Korn/Ferry director who co-authored the report, says this does not mean that finance directors are becoming less qualified. Quite the opposite. Many of the best qualified of the older age group, however, appear to be have gone on to the top job in companies, so fewer of the high flyers are represented in this group.

The findings also show how finance directors are becoming younger and increasingly mobile. Two-thirds of the sample 35 from the biggest companies had been recruited from outside the organisation and nearly a quarter of the same group were under 45.

Directors, generally, under the age of 50 were more likely to have more than one qualification, the report found.

Other findings included an increasing preparedness among companies to buy in foreign talent to strengthen their understanding of overseas markets.

The 1994 UK Board of Directors Study costs £99 and can be obtained by contacting Michael Brandon tel (0) 71 312 3100.

Research leads recovery

Advertised demand for executives continues to show a steady upward trend, according to the latest quarterly survey by MSL International, the recruitment consultant.

The MSL Index of advertised demand for executives, which, its compilers say, has unfailingly predicted the ups and downs of the British economy for more than three decades, has risen again in the second quarter of the year.

The index – a 12-month running total that irons out seasonal variances – now stands at 79 against the 1959 base figure of 100.

After hitting an all-time low in the second quarter of 1992 and languishing there to the middle of last year, the number of senior level appointments began to rise and the latest figures show a rise for the fourth consecutive quarter.

Ian Lloyd, MSL International's managing director, said: "The latest figures tell us that the recovery is firmly established."

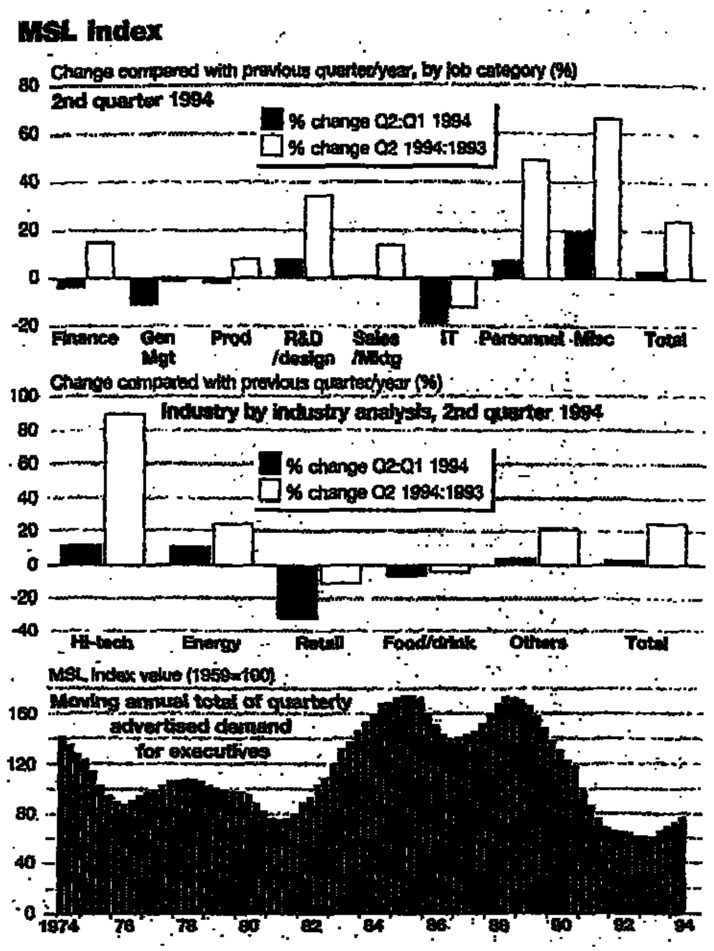
Recruiting has been particularly strong in research and development and in marketing and sales, both areas which reflect confidence in long term business prospects and investment for growth.

Activity in accounting and finance on a par with recruitment in marketing leads Lloyd to conclude that investment is being tempered with a greater degree of caution and control than in the 1980s.

Recruitment in high technology industries is showing the largest sectoral rise: increasing 12 per cent on the last quarter and 89 per cent over the same quarter in 1993, while advertised demand in the retail sector has fallen 32 per cent in the quarter and is down 11 per cent on a year ago.

The graphs on the right show the sector and industry changes and the movement in the index. This still has some way to go before it reflects executive recruitment levels throughout most of the 1980s.

Richard Donkin



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The successful applicant will assume full responsibility for the day to day running of the organisation's structured derivative products operations in London which cover sophisticated OTC products. You will also be responsible for the development and implementation of a cohesive risk management system.

It is envisaged that the successful candidate will presently be employed at a similar level within a major bank or securities operation and have at least five years relevant experience. An innovative approach coupled with excellent communication and presentation skills are essential. This hybrid role will also require you to support other trading groups including Fixed Income, Emerging Markets, Currencies and Commodities.

This is an excellent opportunity for an experienced individual to join a dynamic and forward thinking Bank that has seen rapid growth over a short space of time.

*If you feel that you have the ambition and commitment to take up this unique and exciting opportunity, please send a detailed Curriculum Vitae to **Colin Jones** at Cardinal House, 39-40 Albemarle Street, London W1X 3FD. (Fax: 071-491 4705.)*

HARRISON WILLIS

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PRIVATE CLIENT INVESTMENT MANAGER

Birmingham — ***£neg***

Shakespeares are seeking to recruit an experienced fund manager (minimum 5 years experience), to take responsibility for the management and development of their Investment Management Department, established 1988 (over £30m under management), reporting directly to the partners.

The ideal candidate will be a member of the Securities Institute and familiar with the ethos of law firm. Investment skills and the ability to develop a business will be required.

Please send your C.V. to:
N.Q. Grazebrook, Shakespeares,
10 Bennetts Hill,
Birmingham B2 5RS.

ASIM

Shakespeares SOLICITORS

FUTURES DESK DEALER

An International Bank is seeking an experienced futures dealer to complement their expanding Treasury area.

The successful candidate should possess 3-4 years trading experience in German Bunds and Gilts in a leading international Bank.

Competitive remuneration with excellent opportunity for career progression.

Interested and suitably qualified candidates are invited to send their CVs by August 4th 1994, to Box A2115, Financial Times, One Southwark Bridge, London SE1 9HL

Coopers & Lybrand

C&L

Coopers and Lybrand invites applications for the position of Executive Director of a newly established bank based in a Caribbean off shore financial center under a three year contract. Salary and benefits are negotiable depending on the candidate's qualifications.

Qualifications:
- MBA (or equivalent) from an internationally recognized University
- A minimum of 8 years exp. in international banking and finance
- Strong management background.

Responsibilities include:
Directing, supervising and coordinating the activities of the bank in:
- Providing banking and investment services to international clients;
- Marketing, advertising and public relations;
- Financial management;
- Personnel management;
- Establishing and maintaining relationships with correspondent banks.

Candidates are invited to submit resume to:
Coopers & Lybrand
Gregory Building, Nevis St.
St. John's Antigua, West Indies
Fax#: 809 462-3465

The Top Opportunities Section
appears every Wednesday. For advertising information call:
Philip Wrigley
071 873 3351

INDONESIA EQUITY SALES

W.I. Carr, the leading international stockbroking house specialising in Asian Equities is looking for a motivated individual to join its London team to specialise in Indonesian equity sales.

Candidates should have an established track record selling Asian equities into a European client base, as well as a good knowledge and understanding of Indonesia's financial markets, economy and culture.

Renumeration will be attractive and competitive.

Please send your CV to:
Tricia Narang
Administration Manager
W.I. Carr (Far East)
122 Leadenhall Street
London EC4V 4QH

W.I.CARR Banque Indosuez Group

FT/LES ECHOS

A leading European financial institution with offices in the major European financial centres seeks to appoint a Director-Sales for its fully fledged London-based investment banking operation which is presently active in the European privatisation programme.

Director - European Equity Sales

London Based

The position has arisen as a result of an internal promotion. The firm is looking for someone who is capable of generating significant commission whilst managing a committed sales team. In addition, in the longer term the firm would expect the successful candidate to be able to provide significant strategic input into the direction and future growth of the firm.

Candidates should possess a minimum of 5 year's experience with a major institution and a proven record of achievement in cross-border equity sales and servicing of key UK institutional investors.

Specific experience of the larger Continental European markets would be an advantage, as would knowledge of other European languages. Above all, candidates must have excellent communication and presentation skills and be able to establish a high level of credibility with clients, peers and subordinates.

The company offers an excellent compensation and benefits package, including significant bonus potential, plus the opportunity to work in a non-bureaucratic dynamic team environment.

Please respond by fax or letter, including full CV and salary details, to Michael Phillipps at:

Richmond Selection, Garrard House, 31-45 Gresham Street, London. EC2 7DN. England.
Tel: +44 71 796 4254 Fax: +44 71 796 4255

RICHMOND selection

Fixed Interest Sales-UK

Bond Division

London **Competitive salary + benefits**

Hambros Bank is expanding its Domestic Sterling Fixed Interest business and is seeking a Salesperson to join its small, professional team. The product is Non-Gilts Fixed Interest issues to sell to UK institutional investors.

The successful applicant will be a graduate/MBA with 3-5 years' directly relevant experience. A persuasive communicator, who is able to think laterally, you will have good numerical and analytical skills. Opportunities for career progression are excellent.

Please write, enclosing your CV and details of your current remuneration package, to: Charles Arbuthnot, Director, Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA.

HAMBROS BANK LIMITED

FLEMINGS

FLEMING PRIVATE ASSET MANAGEMENT

The company is a wholly owned subsidiary of Flemings and looks after the private client interests of the Group in the UK by providing a comprehensive range of investment services to individuals, trustees and private charities. Due to our business expanding rapidly, we wish to recruit the following:

Investment Manager to look after discretionary High Net Worth clients. The ideal candidate will be a graduate with at least five years' experience of managing similar clients. Candidates must have a sound knowledge of international markets and excellent communication skills.

Research Analyst to join select team which supports the investment managers. Candidates must be graduates with at least two years' experience of analysing UK companies and should have strong communication skills.

Assistant Investment Manager to support existing team. Candidates should have at least two years' experience of private client investment management.

Competitive salaries will be negotiated and a first class package of benefits will be provided.

Please write, enclosing a full cv and details of current remuneration to:

Ann Marfy,
Personnel Officer,
ROBERT FLEMING & CO. LIMITED,
25 Copthall Avenue, London, EC2R 7DR.

Investment Analysts

Kleinwort Benson Securities is a major UK securities house with highly regarded research which is distributed internationally to institutional clients.

Composite Insurance Companies

We are looking for a qualified actuary, probably aged 27-32, with several years' experience of working in the general insurance field. Excellent analytical skills are required together with strong written and oral communication abilities and a high degree of ambition to be a top-rated analyst.

For an initial discussion in confidence, please contact Roger Harvey E.L.A. on 071 956 8096

Food Retailing

As a well qualified graduate, MBA or ACA you are likely to be aged around 25-30 with a thorough understanding of retailing. This could have been gained within the industry, for example through strategic planning or business development, as an analyst or through corporate advisory work. Strong analytical, written and communication skills are essential as is the desire to produce research which will become recognised.

For an initial discussion in confidence please contact Geoffrey Carr on 071 956 6565.

Or if your prefer, please write enclosing a comprehensive C.V. to:

Ms Carol Partington, Personnel Department, Kleinwort Benson Securities Limited, P.O. Box 560, 20 Fenchurch Street, London EC3P 3DB.

Kleinwort Benson Securities Limited

INTERNATIONAL BANKING SPECIALISTS

A major international bank is seeking specialists with around 2 years' relevant experience to expand its Eastern European and South African investment banking teams.

Eastern European Banking Specialists

You should ideally be an ethnic Eastern European with a recognised business degree and some experience of investment banking in the West. Business fluency in English is essential together with at least one of the following languages – Czech, Polish, Russian, German. Ref:924

South African Corporate Finance Professional

We are seeking someone with in-depth knowledge of the South African business environment to handle a rapidly growing corporate finance portfolio. Fluent in Afrikaans, you will need an Accountancy qualification or MBA and ideally a knowledge of the law. Ref:925

If you think you match the criteria, please write with a full CV, quoting the appropriate reference, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client but please indicate any company to which your details should not be forwarded.

ASSOCIATES IN ADVERTISING

PRIVATE CLIENT RELATIONSHIP MANAGER

Greek Market

London *Exceptional package*

The Citibank Private Bank is one the world's largest and most reputable, offering its clients the full resource of an unparalleled global network.

We now seek a highly motivated Greek specialist to head a professional team based in London providing advice and support to financially sophisticated Greek clients. The objective: to build profit through building effective relationships. The method: there is considerable autonomy to develop and implement your own strategies for success.

Aged between 28 - 36, you will speak fluent Greek, and have a reasonable grasp of English. While you may not have a background in private banking, you will have a sound knowledge of banking products, proven marketing skills and the ability to communicate effectively. Success will also depend on high levels of self-motivation and integrity.

This is a rare opportunity which demands the skills of an exceptional individual. Consequently, the rewards are high - a generous basic salary will be complemented by a significant performance-related bonus and full banking benefits.

To apply, please write with career details to Joanne Noble, Senior Personnel Officer, Citibank Private Banking Group, 41 Berkeley Square, London W1X 6NA.

THE CITIBANK PRIVATE BANK

CITIBANK

We are an equal opportunities employer

Head of Asset & Liability Management

c£65,000 + Benefits + Car *Central London*

Abbey National is one of the most innovative companies in the highly competitive financial services sector, pioneering a number of fixed interest rate products.

Our Group Risk department is the focus for risk policy creation across the Company. It is pivotal to the successful management of the Group's interest rate exposures arising on shareholders' capital and the fixed mortgage portfolio, and provides advice and direction on interest risks in the balance sheets of the Company's growing European subsidiaries.

As Head of Asset & Liability Management, you will have responsibility for developing the policy and operational frameworks necessary for the control of interest rate and liquidity risk across the Group.

This will involve working with the Market Planning function and Abbey National Treasury Services on funding structures and prepayment hedging; identifying opportunities for product development; devising risk reports for the Board; and developing risk management software and off-the-shelf models to measure and manage risk. To assist you in these tasks, you will have the support of your own team of risk professionals who will be the focus for risk expertise and advice within the organisation.

For this demanding, high profile role, you will need at least four years' asset and liability experience gained within a major banking operation. This will have given you an extensive understanding of risk management techniques (including risk modelling) and their practical application, together with a thorough knowledge of the derivative markets and interest rate and liquidity risk management. An accomplished communicator, it is essential that you also possess proven team leadership skills.

The attractive salary will reflect experience and ability and will be supported by a full range of financial sector benefits including profit share scheme and car. To support a healthy work environment, Abbey National, has a no smoking policy.

Please write with full CV to Anne-Marie Nedd, Personnel Department, Abbey National Plc, Abbey House, Baker Street, London NW1 6XL.

In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes applications from every section of the community.

ABBEY NATIONAL

Promoting Success Through Equality

Strategic Quantitative Analyst

City **Excellent salary + banking benefits**

Our client is the global investment advisory and fund management business of one of the world's largest banking and financial services organisations. With offices in the world's key financial centres, it currently manages over US$30 billion of assets for a wide range of both institutional and retail clients.

They now wish to recruit a Strategic Quantitative Analyst to assume a senior role within their Tactical Asset Allocation/Derivatives unit. Your role will encompass responsibility for the development and updating of the Equity Market Index and Fixed Income valuation models based upon quantitative techniques.

You must have proven experience in using quantitative techniques, combined with a macro economic skill set. Excellent communication skills are essential for the role, due to the high degree of customer contact and the integral nature of the function within the investment process.

Our client will offer an excellent salary and benefits package associated with a world leading financial organisation.

Please apply in writing, enclosing a full curriculum vitae and quoting reference 039A, to the Response Manager, Barkers Response & Assessment, 30 Farringdon Street, London EC4A 4EA.

Your cv will be forwarded to this client only. Please indicate any company to which your details should not be sent.

LONDON TEL 071-306 8678
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I. D. E. A.

"the essence of market intelligence"

BOND STRATEGIST

I.D.E.A. the premier on line analytical service seeks a senior Bond Strategist to join its global research team in London. The ideal candidate should have experience in an analytical and/or trading role in the credit markets and is comfortable with working in a fast paced environment. Responsibilities include writing and coordinating credit market commentary in conjunction with our team of analysts/economists, contributing to the formulation of IDEA medium and longer term forecasts and enhancing the development of IDEA products to the fixed income and credit markets. Widespread client and media coverage are also encompassed within the position.

In exchange a competitive package is offered.

Please forward your CV to Mike Gallagher at IDEA Ltd, Lincoln House, 296 High Holborn, London, WC1V 7JH or phone 071 430 2888

CAPITAL MARKETS DOCUMENTATION

£35 - £50,000 (according to experience)

Our client is a leading investment bank with an outstanding reputation for servicing UK and European activities in a wide range of swaps and derivative products. Ideally legally qualified, aged to 35yrs, with good academic qualifications, you will have 3-5 years experience of completing and negotiating documentation in support of a highly professional sales & trading team. You will probably be currently working in a major bank earning not less than £30,000 base salary, bonus and benefits.

If you are interested in this position, please write, enclosing your cv, to... Helen Highet, Senior Consultant

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

SPOT F.X. **£70,000**
We are seeking experienced foreign exchange dealers on behalf of a respected European bank to take strategic positions on a proprietary basis. Candidates aged 25-35 will have spent at least 4 years at an active bank with a consistent record of profitability.

CORPORATE F.X. **£50,000**
Positions are available on expanding sales desks of leading banks in London for dealers with ability to develop & maintain relationships with fund managers and financial institutions. Graduates with at least 3 years experience in a similar capacity with excellent pricing & advisory skills will be shown preference.

CURRENCY OPTIONS **£75,000**
Major international bank seeks a self-motivated dealer to enhance its marketing/trading capability in F.X. Options. The incumbent will have established good relationships with professional counterparties within the Derivatives market. Graduates with around 3 years OTC experience are preferred. Good working knowledge of spreadsheets will be necessary.

OFF-BALANCE SHEET **£55,000**
Expanding British bank requires a senior dealer to take strategic positions on a proprietary basis in the Interest Rate Risk area. Instrument range will include FRA's, Swaps, Futures & Options in major currencies. A stable career record with a recognised market player is prerequisite.

FOREX Selection

Treasury Recruitment

Please call Anthony Isern or write in confidence quoting ref: A11041.
Tel: 071-369 0369
36 Cornhill,
London, EC3V 3PQ.

HEAD OF DEVELOPMENT OFFICE

The Development Office is a central part of the National Gallery, raising private money in support of all the Gallery's activities, including exhibitions, building projects, picture purchase and staff costs. It seeks donations from companies, individuals and trusts, and runs schemes for corporate and individual benefactors. It handles the Gallery's programme of events.

The Head of the Office will play a creative role within the Gallery and in cultivating donors. The role requires flair, imagination, and energy; sympathy with the Gallery's objectives; an ability to work with a wide range of people; and good management skills. Fundraising experience and familiarity with business and the arts are essential.

Salary could start, for the right person, around £40,000 a year, with pension on top. The appointment will be initially for 3 years, with the possibility of extension.

For further details and an application form, to be returned by 30 August, please contact Carol Hall, The National Gallery, London WC2N 5DN (telephone: 071-389-1712).

The National Gallery is an Equal Opportunities Employer.

THE NATIONAL GALLERY

FX AUSTRALIAN DOLLAR DEALER

Citibank provides a comprehensive range of financial products and services to corporate, institutional and individual customers globally.

Our Foreign Exchange team, based in London, is recognised to be one of the world leaders, dealing across 136 currencies.

We now seek an Australian Dollar Dealer to develop our presence in the interbank market. Key responsibilities of the role will be to provide competitive pricing to our customer base and liaise closely with the Citibank Global Network of market makers.

The ideal candidate must be a graduate with approximately five years experience of trading the Australian Dollar. People management experience is desirable.

Please write, with career details, to Joanne Lee, Human Resources Officer, Citibank N.A., 336 Strand, London WC2R 1HB.

CITIBANK

We are an equal opportunities employer

EMERGING MARKETS ADMINISTRATION MANAGER

City

Baring Asset Management is a respected participant in the global investment market, renowned for the highest standards of service and a policy of pragmatic diversification, perhaps the most crucial elements of which are the emerging markets.

We are currently seeking an Emerging Markets Administration Manager to join us and provide an investigative reporting and assessment service on all administrative aspects of investment in these markets to all BAM companies. This calls for someone with a thorough understanding of investment management, global settlements and markets, who is able to report on operational requirements and provide sound guidance for the decision making processes. The heart of the brief is to maximise efficiency and minimise risk by the provision of accurate and timely information. Highly developed judgmental skills, a high degree of literacy and the ability to debate and influence at all levels are therefore essential, as is the consummate professionalism needed to earn the respect and trust for this newly created role.

This therefore represents an opportunity for a person with considerable talent and confidence who is able to absorb and interpret information quickly, and to maintain an overview of global proportions whilst being able to focus on specifics such as locale, trends, external influences and the enormous variety of factors affecting fledgling areas. It also commands a salary and benefits package commensurate with a role that offers the chance to have a real and tangible impact on a crucial area of BAM's development.

In the first instance, please write with a full CV explaining why you feel you match the specification to: Peter Phillips, Chief Executive, Rada Recruitment Communications Ltd, 195 Euston Road, London NW1 2BN. Closing date for applications: 1st August 1994.

BARING
ASSET MANAGEMENT

UK/EUROPEAN EQUITY SALES

DYNAMIC US HOUSE

Are you energetic, focused and reward driven? If so, our client, a dynamic and long established US brokerage house will provide you with the challenges you need.

Selling UK/Euro equities to your client base, you will be aged 27 or more with at least 5 years' experience.

State-of-the-art trading technology and impressive global coverage will enable you to maximise your earning potential.

TOP FIVE GLOBAL BROKERAGE

We have been retained to recruit a talented UK/European equity salesperson who is currently selling to UK institutional clients.

Supported by excellent sectoral research and strong primary business, you will be aged between 28-45 with at least three years' experience selling to UK institutions.

Your drive, commitment and team skills will be highly rewarded.

Telephone Chrys Lytras or send/fax your CV in confidence:
Thomas Cole Kinder Ltd.,
1st floor, 43/44 Albemarle Street, London W1X 3FE.
Tel:(071) 355-1575 Fax:(071) 355-1574

THOMAS COLE KINDER
Executive Search and Management Consultants

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday
For further information please call:

Gareth Jones on
071 873 3779

Andrew Skarzynski on
071 873 4054

OPPORTUNITIES IN FRANKFURT

Frankfurt remains one of the world's leading and most visible financial centres. We are retained by several leading global investment banks/securities houses who wish to employ new staff to sustain their current expansion. A significant number of vacancies exist, from junior through to director levels in the following areas:

FIXED INCOME TRADING & SALES — To DM250,000
A number of our clients seek experienced Fixed Income Traders and Salespeople, to join their expanding operations in Frankfurt. You must demonstrate at least 3 years active experience, proven sales (with appropriate client lists) and trading skills along with excellent interpersonal skills. Ref: TM322.

SWAPS AND OPTIONS PROFESSIONALS — To DM250,000
We have a number of global investment banks who are currently expanding their operations in Germany and seek experienced Swaps and Options Traders and Marketers. You should possess a minimum of 3 years experience in either Interest Rate, Currency, Commodity or Bond derivative products. Ref: TM323.

EQUITY AND EQUITY DERIVATIVE SALES — DM80 - 200,000
In order to facilitate their planned expansion in Germany, a number of our clients, all major financial institutions, seek experienced equity and equity derivative salespeople. You will be able to demonstrate an impressive track record of developing profitable client relationships as well as the ability to attract new clients. Those candidates covering the UK, Continental Europe and South East Asia would be of particular interest. Ref: TM321.

TREASURY MANAGEMENT — DM120 - 160,000 + Benefits
Two roles have been identified at divisional level, the first involves development of the off balance sheet function including FRA, Bonds and Swaps and running a team of seven staff. You will also develop a Risk Management Strategy. The second role will support the first. Ref: JA106.

PRODUCT CONTROL/TRADE SUPPORT — DM95 - 125,000 + Benefits
AAA rated global investment bank has several opportunities for experienced accountants who can demonstrate prior knowledge of either fixed income, equities or commodities gained within public practice or investment banking. The work combines P&L reporting with risk analysis. Ref: JA109.

INTERNAL AUDIT/POLICY CONTROL — DM80 - 120,000
Expanding division of a prestigious US House requires five qualified individuals at various levels to develop reporting structures for the capital markets and internal accounting divisions. Excellent training is provided. Ref: JA121.

*Applications are invited from both German nationals and EEC citizens seeking permanent careers in Frankfurt. Fluency in German is useful though not essential. Excellent prospects exist and salaries will be competitive. To discuss these career opportunities please contact **Jonathan Astbury** (evenings & weekends **071-702 9672**) or **Tony Marshall** (evenings & weekends **0708 733007**) on **071-629 4463** quoting the appropriate reference number.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS

■ Opportunities at Deutsche Bank ■

You have 4 years' professional experience in developing complex EDP applications in investment banking, treasury or MIS. You are familiar with the quantitative analysis methods in the financial world (securities analysis, statistics) and with the leading products in the money and capital markets. You have experience in data and function modelling and are already acquainted with a UNIX systems platform. You would like to participate in the development of forward-looking information and control systems in the financial sector.

If you feel this description fits you, are highly motivated, have a good command of English and are able to work independently as well as in a team, you could be our new Systems Developer in our Organisation and Operations Division at Head Office near Frankfurt. Our Investment Banking Systems division develops, among other things, comprehensive risk and treasury information systems. This system is based on an „open" systems platform and uses the latest methods and tools.

Systems Developer

Risk Management

As Germany's largest private bank and one of the world's leading international financial institutions, we can offer you more than you may think. For example, a varied and interesting range of personal training opportunities on and off the job and attractive professional advancement prospects. In addition, we offer a performance-related salary with a competitive benefits package.

Please send your application along with certificates, references and your desired salary to:
Frau Cornelia E. Hulla,
Deutsche Bank AG,
Personal (Zentrale),
Alfred-Herrhausen-Allee 10,
D-65755 Eschborn.

■ Let's talk about it.

Deutsche Bank

Economic Development Agency

Whilst the City Council is looking ahead with confidence to achieving Unitary Authority Status in 1996, it has nevertheless decided that a restructuring in advance is necessary to meet its existing ambitious aims and objectives to confirm Hull as England's Northern Euro-Port and to enhance its status as a leading local authority and Regional Centre.

The Economic Development Agency has been created as part of a new initiative in the Council to promote and develop both existing and new business opportunities for the City and is looking to appoint an innovative and entrepreneurial Head of this newly created Agency.

Head of Economic Development Agency

£34,305 - £37,737 — EDA 1

The Head of the Economic Development Agency will be responsible for effectively managing the Agency in order to boost Hull's economy and development.

You will also be responsible for:

- Creating and monitoring new business opportunity policies, strategies and plans;
- Liaising with existing and potential clients and outside bodies;
- Providing information, advice and consultancy services on economic development matters.

You must have:

- A minimum of 5 years economic development experience at senior level with a successful track record of achievement.
- Substantial committee experience.
- A final relevant degree, diploma or professional final qualification by examination.
- Substantial experience of working with the private sector.
- Excellent communication, analytical and negotiating skills.
- Strong leadership and team building skills.
- The ability to anticipate change and be sensitive to new ideas and trends.

The ability to speak at least one other Euro-Union language is desirable.

A generous relocation package of up to £6,243 plus full removal expenses to this relatively inexpensive part of the Country are available.

The post also offers a subsidised lease car or interest free car loan.

HULL

Application forms and further details are available from the Director of Human Resources, Municipal Offices, Trippett Street, George Street, Hull, HU2 8AA, telephone (0482) 595267 (24 hour answering service) to whom they should be returned by Friday, 5th August 1994.

An Equal Opportunity Employer

European and Indian Sub-Continent Capital Markets
Competitive Package

Our client, a leading independent UK securities house is expanding its European and Emerging markets (Africa and Indian Sub-Continent) Capital Markets team in London.

The new incumbent will join a truly international team advising clients across the world. They are seeking someone with experience covering both the European and the African and Indian sub-continents to complement their existing team.

The successful candidiate will:-

- Have prior experience of international banking and corporate finance
- Have a good knowledge of Europe, Africa and the Indian sub-continent having lived or worked in these areas
- Be a UK qualified ACA (first time passes) aged 26 to 28
- Have a Masters degree with an international and management focus (2i minimum)
- Be highly computer literate
- Speak at least 3 European languages

The position offers excellent opportunities for career development and impressive rewards.

Please contact Richard Pooley or Zöe Ide on (071) 583 0073 (day) or (071) 585 0187 (evenings & weekends). Or write to us at 16-18 New Bridge Street, London EC4V 6AU. Fax: (071) 353 3908

BADENOCH & CLARK
recruitment specialists

AMSTERDAM

Dutch Equity Sales

Our client has a long established name in the Dutch market with an excellent reputation for equity research. As an integrated part of a major international securities house they now seek a high calibre individual to further develop their sales of Dutch equities.

The role will involve joining a successful sales team based in Amsterdam whilst liaising closely with the general European team in London. The task will be to provide a direct service on the Dutch market and increase sales with UK based institutions.

Candidates should be in their late 20s or early 30s with at least three years institutional equity sales experience, possibly gained as a European equity generalist but ideally as a Dutch specialist. Knowledge of the Dutch language will be an advantage but is less important than demonstrable sales ability.

For an initial discussion in confidence please contact us quoting reference 4967 at 20 Cousin Lane, London, EC4R 3TE. Telephone 071 236 7307, or Fax 071 489 1130.

STEPHENS
SELECTION

A STEPHENS GROUP CONSULTANCY
London Edinburgh New York Hong Kong

GEOLOGIST,

COMPUTER SERVICES

BHP, one of the largest and most successful natural resource companies in the world, needs a computer support/GIS person with a geology background for our Exploration office in London.

The successful candidate will be responsible for conducting training and providing support for geological computer software, coordinating system use and database building among overseas locations, monitoring developments of geological surveys and international agencies and advising management on computer applications, policy and purchases.

Proficiency with DOS, Windows and UNIX/IRIX for configuring, tuning and maintaining systems operation is required. Talent for working with plotters, scanners, digitizers and experience with Techbase, AutoCad and ARC products is desirable.

Applicants should have university level education in geology or a related discipline, preferably with some practical field experience in minerals and an understanding of maps. Formal training or acquired mastery of cartography and geography is required.

No phone calls please.

Apply to: Gonzalo Bravo
BHP Minerals International Exploration Inc.
Brook House, 229 Shepherds Bush Road
London W6 7AN, England
FAX No: 44-81-563-0427

BHP

PYRFORD INTERNATIONAL PLC

Worldwide Investment Managers

PYRFORD INTERNATIONAL

Career Opportunity - Equity Potential

We are looking for a special person - someone with the ability to effectively communicate Pyrford's investment process and strategy to an audience of clients, potential clients and investment consultants. Applicants may presently be employed in an investment management company, a firm of consulting actuaries or related discipline. Prior marketing experience is not essential but commitment to success is.

It is essential that the successful applicant have the ability to perform within a small, committed team and require minimal supervision. The role can be tailored to meet the individual's special talents and ambitious and provides a platform for a solid career path amongst a dynamic group of people.

Remuneration will be sufficient to attract the right person. An equity incentive is also offered.

THE COMPANY

Pyrford is an independent, small and growing global investment manager specialising in the pension fund area. Employing 27 people in total, the company has five worldwide locations and operates an integrated investment management service with a distinctive product.

Please write with full CV and daytime telephone number to:

Bruce L Campbell, Group Chief Executive
Pyrford International Plc, 79 Grosvenor Street, London, England W1X 9DB

Opportunity for Returnee to Jordan

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) wishes to recruit a Senior Auditor (EDP).

The job will principally comprise EDP auditing including evaluation of the operating environment and application systems, technical support for and training of audit staff, analysis and design of computer assisted audit techniques, evaluation of software packages and financial and operational audits.

Essential qualifications include:

University degree in computer science or related field; membership in a professional body of accountants; ten years auditing experience with a mix between EDP auditing/security and financial, operational program auditing; experience with PCs in a LAN and distributed computing environment; working experience in both the user and computing areas; and experience in training staff.

This senior local staff post in Amman, Jordan, carries an attractive and competitive package of salary and benefits. In certain circumstances, appointment and separation travel may be payable and a limited amount of personal effects may be shipped on certain conditions.

Applications should be addressed to:

The Coordinator
UNRWA Headquarters Branch (Amman)
P.O.Box 700
A-1400 Vienna, Austria

or faxed directly to Amman, Jordan (No. ** 9626 - 826177) not later than 15 August 1994.

UNITED NATIONS **NATIONS UNIES**

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Further details from Nicketa Davies, 071-839 5561, ext. 313. Closing date for applications, comprising a c.v., salary history and letter indicating how you will suit the post, by 8 August 1994.

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ACCOUNTANCY COLUMN

Uncertain returns from a 50-year investment

Pratap Chatterjee on why the the IMF and World Bank are coming under greater scrutiny from their backers

Fifty years ago today, representatives from 44 countries signed an agreement at the Mount Washington hotel in the forests of the White Mountains in Bretton Woods in the US, which led to the creation of two of the most powerful institutions on the planet: the World Bank and the International Monetary Fund.

They dispense over $30bn in funds every year to countries in Asia, Africa, Latin America and the former Soviet bloc, the largest source of new money for these countries.

But how effectively have these funds been spent? If we are to take the word of the institutions, very effectively. If we are to believe a new coalition of social and environmental groups that sprang up this year – called "50 years is enough" – or critics on the libetarian right, such as the Cato institute, the institutions are the main source of poverty and environmental degradation in their borrower countries.

Two years ago, Willi Wapenhans, a former vice-president of the World Bank, was commissioned to examine its existing portfolio of 1,800 projects. The results showed that 37.5 per cent of the bank's loans had failed to meet their own minimum estimation of an economic rate of return.

Bank staff promptly replied that their standards were higher than most. They could not explain why the failure rate had risen by 150 per cent over the previous decade. "This pressure is not temporary; it is attributable to deep rooted problems which must be diagnosed and resolved," wrote Wapenhans.

The Wapenhans review made two comparisons: it compared staff appraisal reports, which are issued before a loan is made, to project completion reports, which are written up after the last penny has been paid out, as well as looking at reviews conducted by its operations evaluation department.

What they had not looked at was how valid were the figures used in these reports and how timely they are in order to ensure that there is some way of correcting problems before it is too late. This process has now begun and the first report that has come back is less than encouraging.

The Financial Reporting and Auditing Task Force, headed up by George Russell, a financial adviser in the World Bank's central and operational accounting division, shows that over 60 per cent of the audits of its projects are not received within the grace period of four to nine months after the fiscal year ends, "making it inconsequential for project management purposes," according to the reviewers. And 7 per cent are not received at all.

A fifth of those received have a qualified, adverse or disclaimed opinion: the auditors believe that either additional information is required before the audit can be signed, the audit is misleading or there is insufficient information for the auditor to judge the audit.

In addition, Russell's team report that the "format of the (financial) information received often does not allow for, (1) comparison with staff appraisal reports, (2) linkage of physical achievements with project expenditures, and (3) reconciliation with bank disbursement records".

Why is this so? Interviews with members of the team reveal that in many countries, particularly in Africa, the government auditors have no clue about how to prepare proper financial statements.

Even within the World Bank itself at its headquarters in Washington, the importance of proper financial reporting has been downgraded. The Wapenhans taskforce pointed out that in 1980, the bank had 270 financial specialists of which 29 per cent were considered experienced. By 1992, it discovered there were 190 specialists, 30 per cent less, of which a mere 22 per cent were considered experienced.

As for the International Monetary Fund, its critics say that while it provides interested parties with statistics galore, it leaves out the most crucial information. Jeffrey Sachs of Harvard University, who has advised a dozen countries from Bolivia to Russia on their economic policies, told a recent Congressional hearing there was no way to judge the performance of the institution because nobody knew any more than its most general recommendations.

"I must say that the IMF resisted in a number of cases the very measures which turned out to be enormously successful after the fact and then the IMF is able to say, after the fact, we supported those policies because there is no documentation to say to the contrary," he said.

Between 1980 and 1989, 241 structural adjustment programmes were put in place in 36 countries. As the United Nations Children's Fund (Unicef) points out, over the same period, three quarters of these countries in Africa, Asia and Latin America experienced marked declines in their per capita income.

This discrepancy in performance evaluation is about to change. Using advice from activist groups like the Environmental Defense Fund and International Rivers Network, the Senate has drawn up a list of minimum conditions the IMF must meet if it wants more money from the US.

Under these recommendations, the IMF must encourage borrowing countries to give them permission to publish the Article IV agreements, which are the details of policies that the IMF wants the country to follow, the recent economic development papers and the policy framework papers for each country as well as the letters of intent.

To underscore their impatience with the IMF, the Senate slashed contributions to the IMF's Enhanced Structural Adjustment Facility from a requested $100m to $25m next year. The House of Representatives went further and recommended giving the IMF nothing at all.

Karin Lissakers, the US executive director on the IMF's board, who as the US representative controls 18.3 per cent of the votes in the institution, says she hopes to get the rest of the board to agree to make these changes. Last week the IMF said that it was trying to put some of the policies into effect by its annual meeting in Madrid in September.

Will this make a difference? The bank was persuaded, by similar pressure from activists last year through the US Congress, to give out more information through a new "public information centre" and to set up an independent inspection panel to review complaints. The panel will come into existence next month, but the information policy has been in place for six months. US Congressman Barney Frank called a hearing last month to review progress.

Testifying before Frank was Lori Udall of IRN. She said: "Since 1989 the bank has had an information policy that states the general presumption in favour of disclosure of information in the absence of a compelling reason not to disclose. Despite this presumption, in practice the bank has consistently restricted almost every type of information regarding bank projects."

Fifty years on, if it is not possible to evaluate the success of these institutions, how are they are able to survive? First, they have sovereign guarantees that ensure that the World Bank and the IMF have to be paid back and that their debt cannot be rescheduled. Second, without their stamp of approval, no country can receive international credit.

Thus the World Bank and IMF cannot fail no matter what recommendations they make to countries. Things might be very different if these guarantees were withdrawn and they were forced to compete with the private sector they are so eager to espouse. At the very least, governments should be entitled to know whether they are getting their money's worth. Fifty years of opaqueness is enough.

The author is global environment editor for Inter Press Service in Washington DC.

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Ambitious plans for the future means that a strong finance function is essential. As a result, a financial controller for Erteco is being sought, whose ability and drive can match that of the Group.

The Financial Controller will manage a small team and be responsible for all management and financial accounting. You will report direct to the Managing Director but will also be responsible for reporting to the parent company and so the ability to speak French is preferable (but by no means a prerequisite).

You will be a qualified accountant aged between 26-32, Big 6 trained and have worked in a commercial environment (though not necessarily retail) for 2 to 4 years. Probably frustrated in your current role, you will be keen to grasp the reigns of authority and take a step up to controllership.

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Financial Controller

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In 1986 the charity had a turnover of £400,000 and supplied 14 donors for transplant. In 1993 the turnover was over £5,000,000 and more than 200 donors were supplied for transplant.

The increasingly competitive nature of the charity sector together with more rigorous demands imposed by recent charity legislation requires the recruitment of a commercially experienced qualified accountant.

The role will involve working closely with the Chief Executive.

Responsibilities will include the running and control of the finance function and the continued development of the accounting and management systems. You will also be expected to make an ongoing contribution to the wider business, general management and other commercial and fund raising issues within the Trust.

Interested applicants should contact
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Candidates, aged between 27-35, will be qualified accountants who can demonstrate a successful record of achievement within a dynamic clothing retail environment. Excellent communication and project management skills, combined with strong systems experience are a prerequisite.

The position is based at the Head Office in Voorschoten, a suburb of The Hague (and just 20 minutes from Amsterdam) but it is an English speaking company and so Dutch is not required.

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Interested applicants should write, enclosing an updated CV to Giles Daubeney at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Alternatively, telephone him on 071 379 3333 or fax 071 915 8714.

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Director of Finance

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Applications in the form of Curriculum Vitae, including the names and addresses of two referees should be sent to Caroline Corrigan, Personnel Department, Great Ormond Street Hospital for Children NHS Trust, Great Ormond Street, London WC1N 3JH.

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COMMODITIES AND AGRICULTURE

Russia's aluminium exports as high as ever

By Kenneth Gooding, Mining Correspondent

Russia has trimmed its aluminium output but its exports of the metal are as high as ever, according to statistics provided yesterday by trade delegates at a meeting of the big aluminium producing countries in Canberra.

Nevertheless, those involved – Australia, Canada, the European Union, Norway, and the US as well as Russia – pledged to continue support for the voluntary agreement that aims to cut up to 2m tonnes from world aluminium production for two years so as to bring the market back into balance.

Analysts said that outcome was to be expected as aluminium prices had risen nearly 50 per cent from last November's 8-year lows. The three-months delivery price closed at $1,532.50 a tonne on the London Metal Exchange yesterday, and at that level nearly every producer is profitable.

The Anthony Bird consultancy group estimates in its latest Aluminium Analysis that operating costs at western smelters are averaging $1,135 a tonne while Russian costs are $1,234. "Although Russian costs are rising, at today's prices even the Russians can make money."

Bird suggests the industry has had "an impressive success" in implementing the production cuts but it expects no more of them. Neither does Mr Nick Moore, analyst with stockbrokers Ord Minnett. He points out that the latest International Primary Aluminium Institute statistics show the average daily rate of production at western smelters in June was the lowest for 46 months. "Currently the industry is operating at an annual rate of 14.174m tonnes – an impressive 1.13m tonnes lower than the all-time peak of 15.306m tonnes seen in December, 1992," he adds.

Data released in Canberra show Russian aluminium output in June was 6.4 per cent lower than in November at 220,800 tonnes against 236,100 – equivalent to an annual cut of about 195,000 tonnes and well below the 500,000 tonnes the Russians hoped to achieve by August. Russian exports in the first five months were about 800,000 tonnes, equivalent to an annual rate of 1.9m tonnes, roughly the same as in 1993.

The Canberra delegates warned in their communiqué that the aluminium market balance was "still delicate". And Bird says: "If aluminium prices continue the torrid pace of recent weeks and anticipate too much too soon, the recovery could fade before it has properly begum".

Latin Americans hope to heal divisions over banana quotas

By David Scanlan in San Jose

Latin American banana producers, long divided over import quotas in Europe and distressed over falling world banana prices, took a step toward burying the hatchet in a day-long meeting here on Wednesday. Representatives from eight banana-producing countries agreed to set up a working group and meet again in Nicaragua on August 3 to end the dispute and try to boost banana prices.

One of the options the group will be considering is a cut in production to reduce supply and raise prices. The group will also try to improve efficiency within the banana industry, officials said.

"We're optimistic," said Costa Rican president Jose Maria Figueres, "that we can find a consensus position".

Unlike the other Latin American staple export – coffee – bananas have been floundering at 10-year price lows on the international markets. In the US, banana prices have been hovering around US$4.30 for an 18.14kg case, the lowest in a decade. Prices were about $5.50 at this time last year.

In Europe meanwhile prices are at 5-year lows of about $6 a case, down from their usual $13 to $15 range. Producers blame oversupply and dwindling demand for falling prices.

The falling prices have helped bring the Latin American banana producers together, despite a bitter dispute over import quotas imposed by the European Union in 1993. The EU imposed the measures as part of the Lomé preferential trade convention, under which the EU imports bananas from former colonies of Britain and France in Africa, the Caribbean and the Pacific. Producers in the former colonies can't compete with their Latin competitors, who run more efficient, mechanised plantations.

Germany, Europe's largest banana consumer, has been particularly angry about the quotas and filed a complaint earlier this year with the European Court demanding a free market in bananas.

This year's import quota was 2.1 tonnes. It rises to 2.2m tonnes in 1995. Four Latin countries accepted the quota system – Costa Rica, Colombia, Venezuela and Nicaragua. The remaining countries opposed the limits, including Guatemala, Ecuador, Mexico, Honduras and Panama.

But Ecuador's foreign trade minister Mr Diego Paredes said on Wednesday that he was optimistic the that Latin countries could find common ground on the quota issue in coming weeks.

Price surges lift LCE into profit for first time since 1987

By Deborah Hargreaves

The London Commodity Exchange made a pre-tax profit of £1m in its last financial year, which ended in March, after soaring coffee and cocoa futures prices led to a 22 per cent upturn in trading activity.

The rise in business after two years of declining or static volumes led to the first operating surplus at the exchange since 1987. This was paid out to members as a rebate.

In the 1992-1993 financial year, the exchange made a small profit of £218,000, after recovering from the debacle in property futures which cost it £1m in lawyers and accountants fees.

"When I got to the exchange, it was in survival mode because so many members were going out of business and the exchange had overstretched itself with high overheads," said Mr Robin Woodhead, chief executive, who joined the LCE 18 months ago.

Six new members have joined this year, however, all of which are financial institutions or their subsidiaries, reflecting the growing interest in commodities among the banking community.

The end of the world recession and worries about the resurgence of inflationary pressures have revived investment interest in commodity markets. At the same time, frosts in Brazil, which damaged the coffee crop, and a growing structural deficit of cocoa have underpinned price rises.

Coffee prices have more than doubled this year and reached their highest level for eight years. The cocoa market has touched a 6½-year peak.

At the LCE, this has turned into a year of record volumes: in the last financial year the exchange traded the highest number of contracts ever.

Mr Woodhead says the exchange's balance sheet is the strongest it has ever been. It has reduced its overheads by a third to £8m a year, cut staff levels by a third and pared back the number of contracts it trades from 27 to 13.

"We've decided to focus on our core products of coffee, sugar and cocoa and direct our resources so that we provide as much benefit to those markets as possible." Mr Woodhead stresses he is not going to get carried away with developing new products without the support of his members.

"Our history of new contracts is not very good, so we've reversed that: we've got rid of soya, lamb, pigs, a redundant sugar contract."

Instead of the razzamatazz often associated with the exchange when it was called London Fox (standing for Futures and Options Exchange), Mr Woodhead is concentrating on building a fully comprehensive statistics database at the request of some members.

At the same time, the exchange has to demonstrate that it can operate profitably in all market conditions. Its finances have been helped by the upturn in its core markets, but it needs to break-even at much lower volumes. The restructuring programme means the exchange now needs to trade 13,000 contracts a day to break-even, compared with 20,000 three years ago.

Mr Woodhead believes that the trading environment in the wake of the General Agreement on Tariffs and Trade settlement will increasingly free up prices for agricultural commodities, giving opportunities for futures contracts. But this could be a long time coming.

In the meantime, he is looking to upgrade the LCE's electronic trading system to boost its capacity and is working with other London futures exchanges to upgrade their common clearing system.

Albanian agriculture faces struggle in the free market

Geoff Tansey examines the condition of the farming sector after a counter-revolutionary land share-out

In Albania, they joke "What did you get in the land distribution? I got one hectare and 10 bunkers".

It refers to the many hundreds of thousands reinforced-concrete mushroom-like defence bunkers built by a paranoid regime that finally collapsed in 1991. They greet you on landing at the airport, dot the fields and hillsides all over the country and take up valuable space in the tiny newly-created private farms – average size 1.4 hectare.

Behind the joke lies a total transformation of Albanian agriculture in the past three years, perhaps greater than in any other former eastern European country.

Mr Daut Karamuca, an ex-wine technologist, in Babji village in the hills of central Albania received 0.8 ha, scattered in several parcels, and one big bunker (most are small, one to two person affairs) in the land privatisation. He does not regard the bunker as an asset but makes the best of a bad job by housing his eight sheep and seven goats in it.

A radical reform distributed the 70 per cent of the land formerly worked by 600 agricultural co-operatives to the villagers living on it and gave the workers on the rest, in the 120 state farms, the right to farm it privately. By law, the total amount of land associated with a village should be divided equally among the inhabitants. Usually, each family got some good land, some less good and some poor. In some areas, however, it was distributed according to ownership patterns before the communist take over and disputes still rage in some places over ownership.

Amazingly, Mr Daut says he has had a cow for many years – despite a law passed in 1976 forbidding villagers to keep livestock – not so much as a chicken. Everything had to be kept and managed in the communes' facilities.

When the old regime collapsed, most of these common facilities were smashed up in a widespread, popular burst of anger at all that represented the old order. The livestock were distributed to the 400,000 farm families created following the collapse.

The transition was not easy, nor is it complete – land sales are forbidden as titles have not all been given out. Yet, from being the most isolated communist country in Europe, Albania has become perhaps the most ardently free market oriented.

When the previous regime collapsed agricultural production slumped, precipitating a major food crisis. The country's 3.3m people, with a 1993 per capita GDP of US$330, received over $1.4bn in aid between 1991 and 1993, according to the Albanian Economic Tribune, much of it emergency food aid – almost $700m in food and distribution costs in 1991-92 alone.

Agricultural production is climbing back up after a fall of almost a quarter in 1990-91. By the end of 1993, some 16 different donors had agreed to provide almost $238m in project funding to improve agriculture. About $70m had been spent by the end of 1993, according to the 1993 Agriculture and Food Statistics of Albania produced by the Ministry of Agriculture and Food.

The aim is to create a market-based food system. Everywhere, people have to learn how to run a small farm business and have problems marketing what is produced – as the previous distribution system has collapsed and few food companies operate. They also need market information and more knowledge of how to farm more efficiently.

Most farmers were workers in the old regime and have little if any experience with livestock, for example, which are mainly looked after by women. Reaching them, is essential to improve dairy production and village cheese making, says Ms Rebecca Balogh, director of the small Land O Lakes dairy development project. She and her team have organised some 260 village women as volunteer key leaders, each of whom works with 15 women in her village, to improve milk quality, animal health and cheese making.

In the mountain village of Guri i Bardhe in central Albania, Mr Hamid Murati and his family struggle to plough their 800-square metre patch. They plant maize for fodder while other villagers gather leafy branches from trees in the surrounding hills for winter feed. Everywhere farmers harness up any animal they can – horses, donkeys, bullocks, even cows – to work their land as tractors are scarce and expensive.

Officials also face difficult adjustments. The ministry has been reorganised with support of $3m under a UN Food and Agriculture Organisation project. It now has to provide the kind of technical and market information useful to small farmers through radio and TV, the only media to reach them.

An essential need in situations like Albania's is to provide business advice to farmers, farming association and food businesses, believes Mr Sergio Giorgi, FAO adviser to the agribusiness advisory unit. He is working with a farmers association – 'co-operative' is not a politically-correct term in the new Albania – established three years ago on a family basis, to set up an accountancy system and financial control. He is also advising the first wholesaler buying local produce and selling to transporters and state agriprocessing plants, moving about two tonnes a day.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1505-6	1532-3
Previous	1517.5-9.5	1542-4
High/low		1542/1518
AM Official	1507.5-8.5	1532-2.5
Kerb close		1520-1
Open int.	283,171	
Total daily turnover	45,267	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1507-17	1530-35
Previous	1520-30	1540-50
High/low		1540/1530
AM Official	1510-20	1530-40
Kerb close		1530-5
Open int.	2,533	
Total daily turnover	413	

■ LEAD ($ per tonne)

Close	585-6	600-1
Previous	591-2	605-6
High/low		606/592
AM Official	581-1.5	595-5.5
Kerb close		596-6
Open int.	41,746	
Total daily turnover	4,774	

■ NICKEL ($ per tonne)

Close	6290-300	6385-90
Previous	6340-5	6435-40
High/low	6250	6440/6340
AM Official	6250-55	6350-55
Kerb close		6360-70
Open int.	58,342	
Total daily turnover	12,426	

■ TIN ($ per tonne)

Close	5345-55	5420-30
Previous	5415-25	5490-500
High/low		5460/5350
AM Official	5340-50	5405-10
Kerb close		5340-50
Open int.	18,617	
Total daily turnover	2,395	

■ ZINC, special high grade ($ per tonne)

Close	976.5-7.5	1001-2
Previous	983-4	1006-7
High/low		1008/995
AM Official	978-9	1002.5-3.0
Kerb close		995-6
Open int.	101,737	
Total daily turnover	22,129	

■ COPPER, grade A ($ per tonne)

Close	2531-2	2539-40
Previous	2533-4	2538-9
High/low	2522/2521	2543/2516
AM Official	2520-21	2527-8
Kerb close		2524-5
Open int.	225,498	
Total daily turnover	64,072	

■ LME AM Official £/$ rate: 1.5510

LME Closing £/$ rate: 1.5412

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	384.1	-1.1	385.0	385.0	10	10
Aug	384.3	-1.3	387.1	384.2	59,895	27,604

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.15	-	104.60	104.60	382	31
Nov	105.15	+0.15	106.00	105.25	2,341	107

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.5	-	-	-	-	-
Total					1,171	133

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1434	+4	1434	1434	547	46
Aug	1356	-1	1360	1355	804	94
Sep	1388	-12	1375	1367	140	26
Oct	1403	+2	1410	1400	437	14
Jan	1415	+5	-	-	263	7
Apr	1427	-11	-	-	102	-
Total					2,299	187

	Close	Prev
BFI	1429	1429

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1088	-6	1091	1079	412	149
Sep	1099	-5	1103	1086	16,893	1,874

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.42	+0.03	11.39	11.36	1,152	135
Mar	11.39	+0.03	-	-	158	182
Total					109,856	9,407

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	70.90	+1.55	-	-	8	4
Oct	70.80	-0.40	71.00	70.30	8,033	938
Dec	70.25	-0.35	70.70	70.05	30,666	2,391
Mar	71.47	-0.33	71.85	71.40	7,167	162
May	72.22	-0.41	72.65	72.25	4,229	109
Jul	73.05	-0.25	73.30	73.00	2,407	188
Total					53,767	3,808

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	91.75	+0.95	93.00	90.30	14,461	1,827
Nov	94.85	+0.85	96.00	94.00	3,294	982
Jan	98.25	+0.50	98.50	97.50	4,027	497
Mar	101.40	+0.90	102.25	102.00	2,394	81
May	104.55	+0.80	104.50	104.50	718	17
Jul	106.55	+0.80	-	-	184	-
Total					25,283	3,284

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	69.475	+0.750	69.750	68.600	23,703	4,702
Oct	71.875	+0.575	71.950	71.225	23,219	3,026

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	46.550	+0.775	46.600	45.775	480	306
Aug	45.400	+0.700	45.500	44.750	9,476	2,191
Oct	41.225	+0.425	41.425	40.750	9,983	2,011
Dec	41.100	+0.400	41.100	40.650	4,543	547
Feb	40.675	+0.575	40.800	40.150	1,250	252
Apr	39.925	+0.325	39.975	39.700	949	49
Total					27,183	5,389

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	33.000	+0.500	33.000	32.475	99	75
Aug	32.775	+0.850	32.900	32.000	4,689	1,524
Feb	44.125	+0.825	44.250	43.350	3,130	425
Mar	43.625	+0.975	43.800	43.200	114	6
May	44.000	+0.500	44.500	-	49	3
Jul	45.500	+0.700	45.500	44.700	27	3
Total					8,110	2,033

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1525	46	77	55	61
1550	35	67	69	95
1575	27	57	85	110
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2500	88	115	55	108
2550	63	93	80	135
2600	43	74	110	165
■ COFFEE LCE	Sep	Nov	Sep	Nov
3600	288	465	254	560
3650	265	449	281	594
3700	245	434	311	629
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	106	147	7	39
1050	68	116	19	58
1100	39	90	40	82
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	70	85	28	59
1750	56	71	48	-
1800	28	40	73	116

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)		+or-
Dubai	$16.37-6.42w	+0.115
Brent Blend (dated)	$17.44-7.45	+0.125
Brent Blend (Sep)	$17.64-7.65	+0.125
W.T.I. (1pm est)	$19.38-9.39w	+0.205
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$186-188	+1
Gas Oil	$152-153	+2
Heavy Fuel Oil	$98-100	
Naphtha	$165-169	
Jet fuel	$165-166	+0.50
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$386.30	-0.70
Silver (per troy oz)♣	533.50c	+1.0
Platinum (per troy oz.)	$411.75	-4.75
Palladium (per troy oz.)	$145.65	-0.10
Copper (US prod.)	119.0c	-1.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.95m	-0.08
Tin (New York)	246.50c	-5.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	118.32p	-0.57*
Sheep (live weight)†♦	94.39p	-1.99*
Pigs (live weight)†	70.62p	-4.85*
Lon. day sugar (raw)	$301.6	-2.7
Lon. day sugar (wte)	$343.0	-3.0
Tate & Lyle export	£307.0	-2.0
Barley (Eng. feed)	£108.75t	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Aug)♥	91.00p	+2.5
Rubber (Sep)♥	90.00p	+2.5
Rubber KL RSS No1 Aug	333.0m	+2.5
Coconut Oil (Phil)§	$575.0z	-5.0
Palm Oil (Malay)§	$505.0q	+5.0
Copra (Phil)§	$405	
Soyabeans (US)	£174.0q	-2.0
Cotton Outlook 'A' Index	81.70c	-0.20
Wooltops (64s Super)	426p	+4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices. † Prices are for previous day.

Wool

Currency developments have tended to push up some prices in the wool sector in Europe. There is not only a small recovery in the US dollar, but a relatively greater strengthening in the Australian dollar. European adjustments also tend to push up pricing for individual firms. Apart from this, there is some business stirring in the processing sectors. Orders have been coming through erratically, usually for small weights at low prices, but occasionally enough has been sold to have an effect on the prices one or two firms are quoting. This can apply in the British wool sector, where a good auction is expected next week. There was again good demand for stockpile wool, and the monthly quota under the Gamaut schedule has now been practically absorbed for July, August and September.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

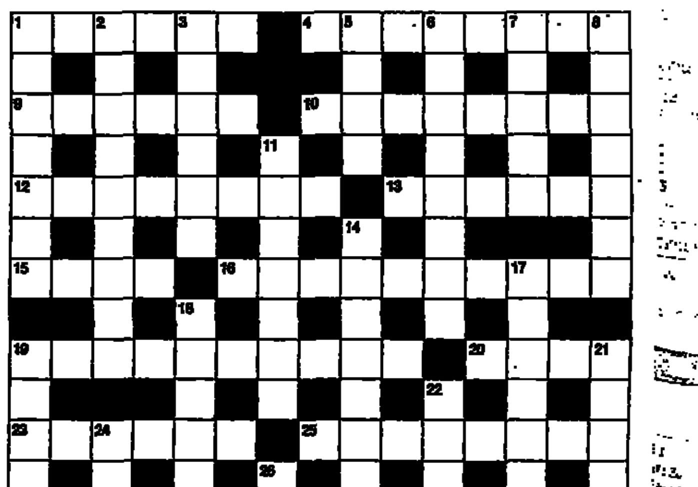
Jul 21	Jul 20	month ago	year ago
2135.9	2156.1	2002.2	1704.4

■ CRB Futures (Base: 4/9/56=100)

Jul 20	Jul 19	month ago	year ago
231.90	234.20	230.87	217.41

CROSSWORD

No.8,512 Set by DANTE



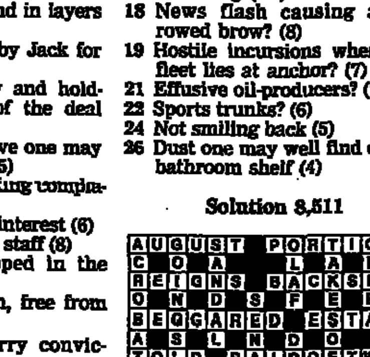
ACROSS

1 He is entitled to a share of whatever is left (2-4)
4 Potential pile boss may make (8)
9 Country with a president, an ex-union leader (6)
10 Drink made Noel tipsy (8)
12 Host of parasites seen on the move (8)
13 A sweet's round and in layers (6)
15 Victoria thumbed by Jack for a lift? (4)
16 In touch certainly and holding one's share of the deal (4-3-4)
19 Where soldiers serve one may well find bull (2,3,5)
20 Sticks around looking complacent (4)
23 Settle concerning interest (6)
25 Joins the embassy staff (8)
27 Cinerama developed in the States (8)
28 Spot the dog is in, free from danger (6)
29 Words which carry conviction? (8)
30 Give rating a note to take between ships (6)

DOWN

1 Neat petticoat in primrose (7)
2 From such a tool may come wholesale destruction (9)
3 Anne is hopping mad (6)
5 Does wrong, gets lines (4)
6 Pull up in pain when learning the hard way (8)
7 Nawab's new address in Africa? (5)
8 Jewel of the small type (7)
11 On the first of May Elaine changes her name (7)
14 Lavish praise (7)
17 The poor may find it accommodating (4-5)
18 News flash causing a furrowed brow? (8)
19 Hostile incursions where the fleet lies at anchor? (7)
21 Effusive oil-producers? (7)
22 Sports trunks? (6)
24 Not smiling back (5)
26 Dust one may well find on the bathroom shelf (4)

Solution 8,511



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Strong close as the Footsie challenges 3,100

By Terry Byland,
UK Stock Market Editor

The currency markets came to the rescue of a lethargic UK equity sector yesterday. Dollar stocks rose sharply late in the session as the US currency turned higher after the US Treasury Secretary told Congress that the Clinton administration wanted a strong dollar and recognised that a renewed drop in the currency could threaten global recovery.

The FT-SE 100 Index, which had moved uncertainly earlier as the Bundesbank left key interest rates unchanged, made a determined, albeit finally unsuccessful, run for the 3,100 hurdle in the final hour of trading. Shell Transport, British Petroleum, Glaxo and SmithKline Beecham were all in demand – even though Wall Street was a shade easier at the London close.

The final reading showed the FT-SE 100 just off the day's best at 3,095.1 for an advance on the session of 17.9 points. The FT-SE Mid 250 Index gained 13.9 at 3,600.9 as optimism spread beyond the dollar stock sectors.

For most of the day share prices moved erratically, with company trading statements providing many of the features. At the opening, markets in London were under the shadow of the overnight setback on Wall Street, and the concern over US interest rates revived on Wednesday by the appearance before Congress of Mr Alan Greenspan, the chairman of the Federal Reserve.

A weak start saw the market down by 16 points on the Footsie and although some recovery was soon made, shares drifted off again after the Bundesbank left its key rates unchanged at its last meeting before the summer recess. Markets were pleased to hear that the Bundesbank was not easing its anti-inflation stance, although this did little to ease the renewed uncertainty over global interest rate prospects.

Company trading statements gave a somewhat negative lead to the market. Wellcome shares fell sharply in spite of higher profits as investors shied away from the disclosure of lower sales of Retrovir, the group's widely known anti-Aids treatment. Boots, the high street retailer and chemist, also gave ground as the annual meeting brought no news on plans to sell the pharmaceuticals divisions.

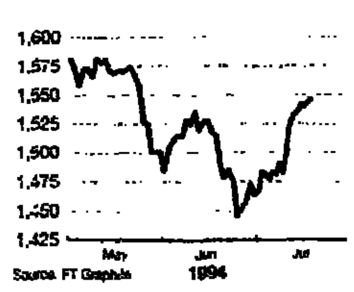
Outside these special situations, trading volume was thin and the market lacked enthusiasm, or even direction. Little attention was paid to the announcement that Britain's trade deficit with non-EU countries had dipped to £495m in June, compared with market forecasts of a £700m plus deficit. Nor was the market greatly interested in the outcome of the leadership elections of the UK opposition Labour party, or in the reshuffle of the Conservative government.

It was left to the upswing in the dollar to provide the impetus behind the late improvement in the London stock market. Trading volume increased as the Footsie moved steadily into positive territory. By the end of dealing, Seaq volume stood at 607.6m shares, still well short of the 679.7m of the previous session. On Wednesday, retail, or customer, business was worth £1.57bn, again at the high end of this year's daily averages.

The September contract on the Footsie gave the lead to equities, and futures trading served to strengthen the boost given to business in the Footsie 100 stocks by the gain in the dollar. Half of yesterday's equity business was in Footsie-listed stocks, with the non-Footsie sectors playing a less active role than of late.

Strategists, while commenting that the market was showing signs of moving into its summer lethargy, saw the late advance in share prices as an indication of underlying confidence. Any prolonged recovery in the US dollar would be likely to inspire strength in bond markets, and provide the basis for an advance in equities.

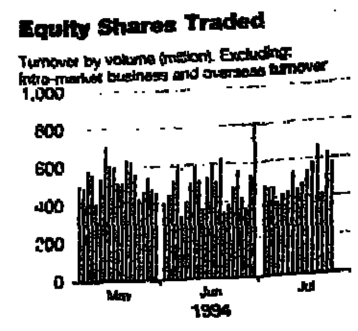
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3095.1	+17.9	FT Ordinary index	2402.5	+10.9
FT-SE Mid 250	3600.9	+13.9	FT-SE-A Non Fins p/e	19.51	(19.39)
FT-SE-A 350	1558.6	+8.3	FT-SE 100 Fut Sep	3114.0	+38.0
FT-SE-A All-Share	1545.30	+7.92	10 yr Gilt yield	8.35	(8.35)
FT-SE-A All-Share yield	3.84	(3.86)	Long gilt/equity yld ratio*	2.21	(2.19)

Best performing sectors

1 Water ... +1.9
2 Oil Exploration & Prod ... +1.8
3 Electricity ... +1.7
4 Life Assurance ... +1.6
5 Utilities ... +1.4

Worst performing sectors

1 Retailers, General ... -0.8
2 Building Materials ... -0.6
3 Breweries ... -0.4
4 Media ... -0.4
5 Merchant Banks ... -0.3

Billiton news expected

Traders scrambled for Shell Transport as a shortage of stock was compounded by strong speculation that the long awaited $1bn sale of the company's metals business might be no more than days away.

Negotiations over the sale of Shell's Billiton metals business in South Africa to Gencor have hung over the market for more than a year. A further delay was announced at the beginning of July.

Yesterday the company's official comment was: "We are expecting a conclusion to the deal shortly." But insiders said they believed it would be signed by the end of next week.

Ms Irene Himona, oils analyst from SGST, said: "It looks like they are getting their act together on rationalisation. They will get rid of a loss-making division and can reinvest elsewhere." She added that although it was too early to adjust forecasts, successful use of the cash could add £150m to profits.

Meanwhile, dealers said a line of shares bought as part of a programme trade early in the day added to the pressure and prompted some traders to buy back stock and close out bear positions.

There was also support from an upbeat recommendation by Nomura early in the week. The shares jumped 14 to 736p on active turnover of 5.6m.

Airways alert

Turnover in British Airways rose to a hefty 12m to make it the day's most heavily traded stock as the shares relinquished 3 to 431p on fears of increased losses at USAir and state aid for a European rival.

BA holds a 24.6 per cent stake in USAir, which reported improved second-quarter net profits late on Wednesday. However, sentiment was hit yesterday by a press report suggesting that the higher profits disguised "its dreadful plight".

Further concern arose from reports that the European Commission was about to agree a state aid package for rival Air France of about FF20bn, around 60 per cent of BA's market value, a move seen by some as distorting competition.

Mr Zafar Khan at Strauss Turnbull said, however, that BA had little to fear from stiffer competition since "it is one of the lowest cost airlines in Europe".

Boots upset

A disappointing agm statement, together with a large technical sell programme, sent drugs and retail outfit Boots tumbling. The stock later rallied, but still finished a busy session 13½ down at 522p, having touched 511p at one stage. Turnover was a weighty 8.2m, the highest this year.

Boots' first-quarter high street retail sales came in below market expectations, as did a 5.6 per cent decline at Do It All, the home improvement business. But it was the lack of news on the expected sale of the group's drugs division which caused most disappointment among analysts, who accelerated this week's trickle of downgrades in anticipation of the event.

However, although specialists expect the sale – which is likely to fetch up to £1bn – to be earnings dilutive, some believe this may be offset by a £500m special dividend from the cash-rich company.

Boots' Do It All partner W.H. Smith slipped 7 to 473p, as stores analysts predicted the need for a further cash injection for the troubled business.

B&Q owner Kingfisher, 18 weaker at one point yesterday, recovered to end the day only a penny adrift at 501p after 3.5m traded.

Pharmaceuticals group Wellcome saw its share price marked down sharply as dealers anticipated heavy profit-taking following the announcement of interim figures restated to adjust to a calendar year-end.

The exceptional charge of £58m was slightly higher than anticipated and sales of Retrovir, the anti-Aids treatment, were down 16 per cent as a result of the findings of last year's Concorde trial. The company also stamped firmly on recent takeover or merger speculation which had added around 50p to the share price.

However, profits rose 12 per cent to £182m over four months and sales of Zovirax, the herpes treatment and Wellcome's best-selling drug, rose 15 per cent over 10 months. The shares clawed their way back from being 17 down to close 10 off at 605p.

News and electronic information group Reuters Holdings fell 9 to 467p in spite of the stronger dollar, which would tend to support the shares of internationally traded stocks. Bemusement increased when dealers noticed the shares remained weak even after some large lines of stock were placed at 475p. It appeared that Goldman Sachs might have been selling actively via the inter-dealer broker system. Turnover was unusually heavy at 8.2m shares.

The regional electricity companies (recs) were again prominent as investors' appetites continued to be whetted in advance of the regulatory review expected early next month. Eastern forged ahead 26 to 640p, East Midlands 16 to 623p, Midlands 19 to 640p, Manweb 20 to 713p and Yorkshire 24½ to 626½p.

Mr Andrew Wheeler at NatWest Securities said he believed the recs still had an upside of a further 10 per cent in the run-up to the review and beyond. "The review will be harsh, but the companies will be able to cope with that. We are still predicting 6 per cent real dividend growth for the rest of the decade."

A second profits warning from Shoprite in as many months saw the shares lose half their value to close at 30p.

Brewer and retailer Whitbread slid 9 to 543p. The company was said to be denying foreign press reports that it was negotiating to buy Swiss company Moevenpick, a restaurant and hotel group.

British Steel hardened 2 to 158½p with 11m shares traded as the market appreciated news that the company is to raise its prices for strip and plate products in September. British Aerospace benefited from a recommendation by several brokers to switch from Rolls-Royce into BAe. The former gained 12 to 505p, while the latter held at 192½p.

Recommendations from Kleinwort Benson and BZW boosted conglomerate Tomkins 8 to 231p.

Biotechnology company Celltech jumped 18 to 209p on news that it will collaborate with Merck, of the US, on asthma treatment.

Speciality chemicals group W. Canning gained 16 at 194p after the company announced a £9.2m disposal.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (30).
BUILDING & CNSTRN (1) Amey, CHEMICALS (1) Inspec, DISTRIBUTORS (2) Normember, Polar, ELECTRNC & ELECT EQUP (2) Dewhurst A, Lec Refrigeration, ENGINEERING (3) Aerostructures Hamble, Renold, EXTRACTIVE INDS (4) HOUSEHOLD GOODS (1) Swallowfield, INVESTMENT TRUSTS (5) Derby Tst. Inc., EFM Japan, Gartmore Amer. Secs. Zero Prf., Melville Street, Mezzanine Cap., INVESTMENT COMPANIES (2) China Investment & Devlpt., Japan OTC Inc. Wrnts., MEDIA (1) Metro Radio, PRTNG, PAPER & PACKG (1) Sappi, RETAILERS, FOOD (1) Low (Wm), RETAILERS, GENERAL (1) House of Fraser, SUPPORT SERVS (3) Admiral, Business Post, Manpower Inc., TEXTILES & APPAREL (1) Wensum, AMERICANS (1) Bowater Inc., SOUTH AFRICANS (1) SASOL.
NEW LOWS (49).
GILTS (1) BANKS (1) Royal Bk. of Scotland, BUILDING & CNSTRN (2) Raine, Tay Homes, CHEMICALS (2) Doeflex, Engelhard, DISTRIBUTORS (3) Heritage, Holders Tech., Litho Supplies, ELECTRNC & ELECT EQUP (3) Bowthorpe, Kode Int'l., Telemetrix, ENGINEERING (2) EIS, GBE Int'l, ENG. VEHICLES (1) Mid-States, EXTRACTIVE INDS (1) Orion Res., HEALTH CARE (1) Bespak, INSURANCE (4) Bradstock, Delian Lloyds, Fenchurch, London Insc. Mkt., INVESTMENT TRUSTS (4) China Inv. Tst., Fleming Chinese Inv. Tst., Scottish Asian Wts., Throgmorton Prfd. Inc., INVESTMENT COMPANIES (1) Spanish Smlr Wnts., LEISURE & HOTELS (3) Break for the Border, IMC Industries, Prism Leisure Corp., MEDIA (1) Harrington Kilbride, OIL EXPLORATION & PROD (2) Aviva Petroleum, Pacrim Energy, OTHER FINANCIAL (1) Finansieringsbet., PHARMACEUTICALS (2) Grampian, Utd. Energy Wts., PRTNG, PAPER & PACKG (1) Delyn, PROPERTY (4) Hambro Countrywide, London Industrial, Peel Hldgs., YRM, RETAILERS, FOOD (1) Shoprite, RETAILERS, GENERAL (1) OS, SUPPORT SERVS (1) Virtuality, TEXTILES & APPAREL (4) Caldwell Invs., Haggas (J), Hartstone, Sirdar, TRANSPORT (1) Dawsongroup, AMERICANS (1) Rockwell Intl.

EQUITY FUTURES AND OPTIONS TRADING

A firm opening on Wall Street, together with a squeeze in the second half of the session, helped stock index futures reverse an earlier slide, *writes Joel Kibazo.*

After opening at 3,078, the first part of the day was marked by a slide in the September Footsie contract, with traders disappointed by the Bundesbank's decision to leave interest rates unchanged. It fell to a low of 3,066.

But improving bonds, a stronger dollar and the good start to trading in the US came to the rescue of September in early afternoon trading. James Capel was reported to have been a good buyer, as was UBS. That strong demand brought about a squeeze in the last hour of trading which saw September advance to the day's peak of 3,120.

Profit-taking in the closing minutes saw the contract finish at 3,114, up 38 from its previous close and around 12 points above its fair value premium to cash of around 6 points. Volume was 13,314 lots.

Turnover in traded options improved to 34,612 contracts from Wednesday's 27,216. Among the index options, the FT-SE 100 option saw 8,193 lots transacted and the Euro FT-SE 3,122.

Hanson was the busiest stock option with 5,059 lots dealt. It was followed by Lasmo at 3,852 and Shell at 2,571. Ladbroke and British Gas were also busy.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3078.0	3114.0	+38.0	3129.0	3066.0	13314	49194
Dec	3095.5	3124.0	+38.0	3124.0	3092.0	140	1798

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3580.0	3600.0	+13.0	3600.0	3580.0	63	4425

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3600.0	-	-	-	-	-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3098) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Aug	218	8½	172	14	131	22½	93	35½	61½	53½	38	81½	21	115½	10	155½
Sep	231½	20½	191½	28½	154	41	117	58	88½	77½	63½	103	43½	133	29	170
Oct	243	32	205	43½	168½	56½	137	75	108½	98½	84½	122½	64	152½	47	188½
Nov	258½	42½	222½	55½	186½	69½	156½	89½	128½	110½	103½	136½	83½	166	63½	196½
Dec†	272	56½			201	81			143	122			97½	178		

Calls 6,083 Puts 2,083

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Aug	191½	10½	148½	16½	110½	27	75	42½	48	65½	28	96½	15½	133½	7½	173½
Sep	210½	23½	171	33	135	46½	102	63½	74	85	51½	112	34½	144½	21½	181
Oct	222½	36			153½	66			99½	110			59½	169		
Dec	253½	59			188½	89½			131½	132½			88	187		
Mar†	289	81½			225½	114½			171	156½			126½	208½		

Calls 1,587 Puts 1,480 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750	3800
Jul			14 41½	84½ 61¼	60½ 87¼			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Jul 21	Day's chge%	Jul 20	Jul 19	Jul 18	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3095.1	+0.6	3077.2	3091.3	3082.0	2820.1	4.03	6.81	17.38	70.03	1159.06
FT-SE Mid 250	3600.9	+0.4	3587.0	3574.4	3580.3	3200.5	3.43	5.75	20.93	80.37	1333.95
FT-SE Mid 250 ex Inv Trusts	3604.7	+0.4	3589.2	3578.1	3582.0	3214.7	3.58	6.22	19.49	83.80	1332.23
FT-SE-A 350	1558.6	+0.5	1550.3	1554.5	1549.5	1412.2	3.89	6.56	18.09	35.17	1195.11
FT-SE SmallCap	1813.48	+0.2	1809.10	1804.49	1800.41	1631.92	3.10	4.26	30.78	31.64	1397.65
FT-SE SmallCap ex Inv Trusts	1783.26	+0.3	1778.15	1774.05	1770.38	1632.41	3.28	4.70	28.48	32.73	1377.82
FT-SE-A ALL-SHARE	1545.30	+0.5	1537.38	1540.95	1536.11	1399.44	3.84	6.40	18.63	34.34	1205.38

■ FT-SE Actuaries All-Share

	Jul 21	Day's chge%	Jul 20	Jul 19	Jul 18	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2726.30	+1.3	2691.26	2687.83	2657.66	2148.70	3.33	4.30	29.24	47.41	1063.40
12 Extractive Industries(4)	3893.06	+0.9	3859.59	3844.97	3805.93	3136.10	3.27	5.17	24.21	54.24	1062.39
15 Oil, Integrated(3)	2679.64	+1.3	2643.96	2638.68	2606.96	2067.70	3.44	4.42	28.19	50.54	1087.41
16 Oil Exploration & Prod(11)	1984.88	+1.8	1950.17	1970.61	1961.16	1774.90	2.43	1.29	80.00†	20.34	1138.06
20 GEN MANUFACTURERS(264)	2005.56	+0.6	1994.32	1992.54	1996.94	1772.60	3.78	4.62	26.58	44.82	1013.89
21 Building & Construction(32)	1185.00	-0.2	1186.92	1173.58	1173.34	1026.30	3.25	4.48	28.85	20.64	920.52
22 Building Matls & Merchs(31)	1990.10	-0.6	2001.77	2011.88	2018.44	1619.90	3.69	4.01	31.42	45.08	931.51
23 Chemicals(22)	2433.85	+0.6	2420.37	2415.97	2419.10	2117.30	3.81	3.96	32.38	58.23	1070.83
24 Diversified Industrials(16)	2008.44	+1.2	1985.50	1979.93	1992.99	1857.30	4.52	4.85	26.45	50.00	1015.61
25 Electronic & Elect Equip(35)	1900.57	+1.1	1880.14	1877.55	1889.77	2031.30	3.95	6.61	18.21	53.12	927.40
26 Engineering(70)	1896.77	+0.8	1881.84	1882.78	1874.71	1589.20	2.99	4.61	25.77	36.18	1078.65
27 Engineering, Vehicles(12)	2353.24	+1.1	2327.83	2330.13	2333.12	1833.90	4.45	2.20	82.03	42.03	1126.18
28 Printing, Paper & Pckg(26)	2867.92	-0.2	2872.94	2882.67	2880.62	2242.40	2.93	5.02	23.45	48.61	1120.04
29 Textiles & Apparel(20)	1685.75	+0.3	1680.46	1685.31	1684.14	1778.80	3.94	6.04	20.42	38.25	948.21
30 CONSUMER GOODS(97)	2667.79	+0.4	2657.54	2667.26	2657.28	2575.50	4.34	7.57	15.45	71.37	910.11
31 Breweries(17)	2244.36	-0.4	2254.38	2256.53	2240.49	1959.30	4.21	7.71	15.86	60.23	1005.04
32 Spirits, Wines & Ciders(10)	2785.21	+0.3	2776.94	2796.75	2800.52	2683.00	3.98	6.92	16.76	88.45	933.18
33 Food Manufacturers(23)	2216.50	+0.2	2212.73	2207.34	2211.09	2146.10	4.32	7.99	14.53	65.72	927.30
34 Household Goods(13)	2428.15	-0.2	2432.00	2435.40	2434.90	2191.00	3.62	7.69	15.71	52.15	866.56
36 Health Care(21)	1829.34	+0.7	1818.65	1805.75	1595.05	1671.10	3.01	3.11	66.12	32.89	940.29
37 Pharmaceuticals(12)	2882.38	+1.0	2852.99	2875.51	2834.86	2742.00	4.33	7.58	15.19	59.01	901.96
38 Tobacco(1)	3577.95	-0.2	3586.33	3594.72	3845.06	3851.20	5.89	9.52	11.99	127.93	796.74
40 SERVICES(220)	1965.14	+0.1	1963.95	1967.90	1963.41	1761.50	3.13	8.14	19.64	35.77	958.94
41 Distributors(31)	2725.25	+0.8	2703.39	2715.11	2730.44	2563.30	3.28	6.45	18.22	56.30	938.51
42 Leisure & Hotels(24)	2129.44	+0.1	2127.76	2135.93	2153.45	1816.70	3.45	4.65	25.14	27.43	1037.80
43 Media(38)	2892.21	-0.4	2903.34	2917.06	2909.08	2319.40	2.32	5.16	22.69	49.18	999.34
44 Retailers, Food(17)	1697.97	+1.0	1680.39	1672.40	1658.92	1769.20	3.77	9.47	13.04	40.95	1010.38
45 Retailers, General(45)	1688.13	-0.8	1701.35	1711.90	1698.70	1494.90	3.09	6.44	19.22	33.26	896.01
48 Support Services(40)	1574.98	+0.7	1563.26	1558.86	1554.26	1532.60	2.57	6.04	19.64	24.79	953.11
49 Transport(16)	2392.61	+0.8	2373.99	2365.32	2372.76	2073.50	3.51	4.90	23.83	39.63	931.64
51 Other Services & Business(9)	1165.13	.....	1164.61	1161.40	1155.92	1191.70	4.21	2.63	64.74	16.16	993.40
60 UTILITIES(36)	2304.57	+1.4	2271.96	2278.27	2268.76	2118.70	4.57	8.15	14.95	50.01	878.79
62 Electricity(17)	2253.46	+1.7	2216.65	2202.13	2163.44	1784.00	4.07	10.93	10.94	72.24	932.76
64 Gas Distribution(2)	1858.43	+1.4	1833.46	1854.15	1873.96	1926.50	6.45	‡	‡	66.79	849.32
66 Telecommunications(4)	2038.76	+1.2	2015.15	2034.89	2036.98	1975.10	4.05	7.72	15.76	10.83	852.55
68 Water(13)	1757.91	+1.9	1725.85	1713.03	1702.14	1643.70	5.63	13.32	8.22	65.77	877.09
69 NON-FINANCIALS(635)	1673.18	+0.6	1662.86	1665.15	1660.61	1506.48	3.82	6.18	19.51	36.18	1172.53
70 FINANCIALS(104)	2162.77	+0.1	2161.09	2178.43	2168.13	2051.80	4.29	8.54	13.47	58.71	848.66
71 Banks(10)	2753.16	-0.3	2760.46	2801.85	2793.34	2473.80	4.16	8.92	12.75	73.88	815.40
73 Insurance(17)	1240.22	+0.4	1235.05	1253.04	1219.37	1444.90	5.21	11.65	9.56	36.63	839.33
74 Life Assurance(6)	2423.33	+1.6	2384.66	2369.05	2365.49	2607.80	5.13	7.50	16.37	82.97	919.96
75 Merchant Banks(6)	2800.53	-0.3	2810.10	2807.77	2788.87	2585.60	3.58	11.79	9.89	69.60	840.57
77 Other Financial(24)	1894.29	-0.2	1897.20	1875.88	1854.64	1572.40	3.86	8.31	14.32	45.22	1008.42
79 Property(41)	1585.66	+0.3	1581.10	1578.78	1589.84	1439.20	3.80	3.86	32.44	35.67	903.54
80 INVESTMENT TRUSTS(123)	2768.69	.....	2768.29	2760.30	2749.70	2358.80	2.17	1.86	53.81	38.65	926.32
89 FT-SE-A ALL-SHARE(862)	1545.30	+0.5	1537.38	1540.95	1536.11	1399.44	3.84	6.40	18.63	34.34	1205.38

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3063.5	3068.6	3072.1	3072.9	3073.7	3068.8	3070.7	3085.5	3096.3	3097.5	3061.1
FT-SE Mid 250	3582.2	3583.3	3588.6	3590.1	3592.6	3593.1	3592.5	3595.7	3600.2	3600.9	3582.2
FT-SE-A 350	1544.5	1544.7	1548.5	1549.0	1549.5	1547.7	1548.3	1554.4	1559.0	1559.4	1543.6

Time of FT-SE 100 High 4.01pm Low 9.06am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks	[illegible]											

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,700	57	+¼
Abbey National†	1,800	399	+4
Albert Fisher	9,700	45	
Allied-Lyons†	1,400	586	+2
Anglian Water	629	507	+11
Argos	605	347½	+2½
Argyll Group†	7,100	268	+7
Arjo Wiggins†	1,600	300	+1
Assoc. Brit. Foods†	140	571	+7
Assoc. Brit. Ports	865	262	-10
BAA†	968	971	+20
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	65	4
Other Fixed Interest	2	1	12
Mineral Extraction	66	54	80
General Manufacturers	143	117	391
Consumer Goods	40	34	116
Services	91	81	332
Utilities	28	7	10
Financials	101	74	184
Investment Trusts	82	82	292
Others	59	37	39
Totals	625	552	1470

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21⅞	—	£25⅛	£20[illegible]	6,328	5.2	ф
ANZ A$		190¼	-6	278¼	179¼	2,605	4.9	29.2
Abbey National	♣N□	399	+4	523	381	5,234	4.4	13.4
Allied Irish IE	♣N□	269	-1	314	234	1,886	4.9	9.8
Anglo Irish IE	♣N□	59	-1	*70	50	203.0	7.3	10.8
Asahi Y		784½	-¼	819⅓	628	18,201	0.6	ф
Banco Bil Viz Pta		£14[illegible]	+⅛	£16⅞	£14[illegible]	3,418	5.7	6.5
Banco Sant Pta		£30½	—	*£30½	£23¼	4,609	4.7	10.6
Bk Ireland IE	♣□	280	—	*319	245	1,323	4.7	8.1
Bank Scotland	♣N□	186	-1	247	172½	2,166	3.4	15.2
9¼pc Pf		118	—	141½	114	118.0	9.8	—
9¾pc Pf		123	—	148½	118¼	123.0	8.9	—
Barclays	♣N□	545	-1	640	487	8,887	3.5	22.6
Dai Ichi Kan Y		£11[illegible]	-[illegible]	£12[illegible]	£10[illegible]	38,612	0.5	82.2
Deutsche DM		£301[illegible]	-1[illegible]	£344¼	£270[illegible]	14,368	4.1	—
Espirito Santo		£15[illegible]	-[illegible]	£28[illegible]	£17[illegible]	200.6	4.2	4.6
First Nat Fin	N□	[illegible]	—	*90	60	109.5	2.8	—
6.3pc Cv Pf		78xd	—	*90	77	5.24	10.1	—
7pc Cv Pf		128½xd	—	171	123	61.5	8.8	—
Fuji Bank Y		1482¼	+1	1549¼	1152½	43,245	0.4	ф
HSBC HK	N□	755	+3	1133	680	13,212	3.9	10.9
HSBC (75p Shs)	N□	737	+2	1113	660	6,249	4.0	10.7
Lloyds	N□	557	+1	698	519	7,202	5.0	11.8
Mitsubishi Y		£17[illegible]	+[illegible]	£18[illegible]	£15⅝	48,441	0.3	ф
Mits Tst & Bk Y		1074¼	+2¼	1102¼	887½	12,879	0.5	16.3
Mitsui Tst & Bk Y		761¼	-23½	878	614	9,121	0.7	24.7
Nat Aust A$	†	523¼xd	-5½	628¼	468¾	7,001	5.4	10.9
NatWest	N□	456	-2	622	421	7,587	5.1	10.4
[illegible]								

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28¾	----	£27½	£13½	1,744	2.8	19.6
Barlow	Z	545⁄8	+1⁄16	15¾	13¾	921.1	0.7	-
Gold Flds Prop R		112	----	112	78	11.5	8.9	9.9
MK Props	s	85	----	95	85	3.42	10.5	34.9
SASOL	♥	392	+5	380	390	2,221	4.0	-
SA Brews		£12⅛	+⅛	£15½	£10	3,304	2.2	20.0
Tiger Oats	†	637	----	838	539	957.9	2.5	13.4
Tongaat-Hulett		678	-1	*738¾	427½	514.9	2.3	19.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise noted. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	154.9	154.9	164.2	-0.80	0.22
AIB Grofund Equity	5	230.3	233.1	248.7	-1.00	1.54
AIB Grofund Euro	5	198.1	198.1	210.0	-1.60	0.24
AIB Grofund Ext Balanced	3	109.6	111.0	115.0	—	2.11
AIB Grofund Gilt	3	74.37	74.99	77.31	-0.40	6.87
AIB Grofund Japan	6	200.7	200.7	213.1	+0.99	0.00
AXA Equity & Law Unit Tst Mngrs (1200)F						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
Balanced Inc	5	458.4	459.1	488.5	-1.9	[illegible]
General Acc	6	613.0	614.6	[illegible]	-2.1	[illegible]
UK Growth Acc	6	341.6	[illegible]	[illegible]	-1.6	[illegible]
UK Growth Inc	6	237.2	240.3	[illegible]	-1.1	[illegible]
Higher Inc Acc	6	627.0	[illegible]	[illegible]	-1.0	[illegible]
Higher Inc Inc	6	370.4	375.4	[illegible]	-0.6	3.97
Gilt/Fxd Int Acc	5½	180.8	180.8	[illegible]	-0.7	6.15
Gilt/Fxd Int Inc	5½	90.20	90.20	95.27	-0.35	6.15
Nth America	6	230.2	[illegible]	[illegible]	-4.0	0.00
Far East	6	364.9	371.8	[illegible]	-1.7	0.00
Europe	6	[illegible]	271.8	[illegible]	+1.0	[illegible]
Brit Excel	6	[illegible]	[illegible]	71.09	-0.32	[illegible]
Brit Portfolio Acc	6	94.44	95.59	101.7	—	4.76
Brit Portfolio Inc	6	70.88	71.71	76.29	-0.04	4.76
Global Opps	6	81.12	[illegible]	87.91	-0.39	[illegible]
Balanced Acc	6	51.76	52.37xd	55.72	-0.18	2.59
Balanced Inc	6	50.99	51.59xd	54.89	-0.16	2.59
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Extra Income	6	43.68	44.15xd	46.97	-0.12	7.73
Gilt & Fixed Int	6	127.9	127.9xd	[illegible]	-0.3	6.39
High Inc Equity	6	156.3	156.3xd	167.2	-0.2	4.71
Managed Income	6	43.85	44.15xd	46.97	-0.05	4.90
Worldwide Bond	6	289.4	289.4	[illegible]	+0.4	[illegible]

Premium Life Unit Tst Mngrs Ltd (1400)F						
37 Perrymount Rd, Haywards Heath 0444 458721						
Monthly Income	6	55.37	57.40	60.93	-0.12	2.52
Growth Accum	6	60.57	62.75	66.61	+0.05	1.80
Growth Income	6	59.94	62.12	65.94	+0.05	1.80

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

[illegible]

Whittingdale Unit Tst Mngmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0452

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey National Life Plc

297 St Vincent Street, Glasgow 041 305 8000

[illegible]

Acuma Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 880 3433

[illegible]

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9XS 071-538 8800

[illegible]

Clerical Medical/Fidelity Investments

Narrow Plain, Bristol BS2 0JH 0272 290566

[illegible]

Clerical Medical Investment Group

Narrow Plain, Bristol BS2 0JH 0272-290566

[illegible]

Friends Provident - Contd.

[illegible]

GT Unit Managers Ltd

125 London Wall, London EC2Y 5AS 071-710 4567

[illegible]

General Accident

2 Rougier Street, York YO1 1HR

[illegible]

Lancashire & Yorkshire Assce Society

[illegible]

Laurentian Life plc

[illegible]

M & G Life and M & G Pensions - Contd.

[illegible]

Norwich Union Life Insurance Soc. - Contd.

[illegible]

Prudential Individual Life Funds - Contd.

[illegible]

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Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Century Life International Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

Fairmount Financial Services Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Baring International Fd Managers (Ireland)

Coutts & Co Fund Managers Limited

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

Old Mutual International Fd Mngrs Ltd

Gartmore Fund Mngrs Intl Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	263.40	274.68	-0.71	5.94
Excalibur Global Eqty $ *	278.84	79.04	—	—
Excalibur Stg Global Fixed Inc *	211.11	11.18	—	6.73

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Abtrust Atlas Fund						
Global Cap Portfolio		$-	3.158		+0.001	—
United States Portfolio		$-	3.613		-0.013	—
Contl Europe Portfolio		DM-	3.132		+0.024	0.74
Japan Portfolio		Y-	0.901		+0.007	—
Pacific Portfolio		$-	5.427		+0.049	—
Gold Portfolio		$-	6.720		-0.077	—
UK Growth at Income		£-	1.770		+0.002	0.95
Dollar Portfolio		$-	1.895		-0.005	5.72
Sterling Portfolio		£-	1.051		-0.002	5.20
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg 010 352 4046461						
European Multinational Pfolio		Ecu-	12.68		-0.04	—
Global Multinational Pfolio		Ecu-	12.31		-0.05	—
BAII Intermarket Fund						
2 Boulevard Royal, Luxembourg 010 352 4590 2362						
NAV Jun 30		$-	673.88		—	—
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 31 31 14051						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£-	13.04		-0.41	—

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Buba fixes repo rate

The Bundesbank council yesterday left German official interest rates unchanged, but surprised the market by fixing the repo rate at 4.88 per cent for the next four weeks, *writes Philip Gawith.*

By freezing the level of short term interest rates, the central bank has allowed itself to depart for its summer recess without having to return to a fever pitch of interest rate speculation. The council meets next on August 18.

The dollar held up well to the news, with analysts describing the price action as noticeably more positive than recently.

The general consensus remains, however, that the dollar is enjoying an upward correction, within an overall downward trend that remains intact, rather than a reversal of the trend.

The dollar finished in London at DM1.576, more than two pfennigs up on a low for the day of DM1.555. Against the yen it finished at Y98.685 from Y98.76 on Wednesday.

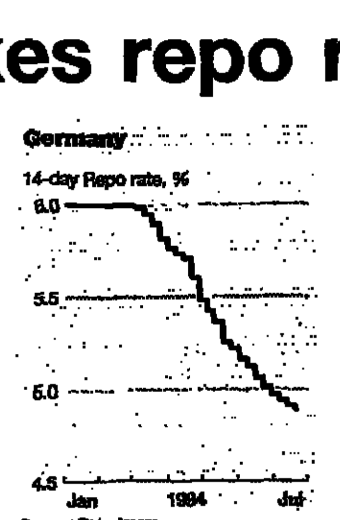
The D-Mark remained little changed in Europe after the Bundesbank's decision. It closed in London at FFr3.428 against the French franc, from FFr3.427.

■ Mr Hans Tietmeyer, the Bundesbank president, made clear that the purpose of the fixed rate repo was to curb market speculation about the outlook for rates.

Had this course not been followed, the next Bundesbank council meeting would have been the subject of intense speculation about a fall in official rates. With the repo rate currently at 4.88 per cent, 38 basis points above the 4.50 per cent discount rate, a few more weeks of 2-3 basis point cuts would have take this margin perilously close to the 25 basis points minimum which the Bundesbank likes to maintain.

Analysts pointed out that the council had essentially pursued a holding action. "They can go away and enjoy their holidays and come back with a clean slate," said Mr David Coleman, treasury economist at CIBC in London.

This was endorsed by Mr Tietmeyer who said that the fixed repo was not a signal for rates in any direction.



■ Pound in New York

Jul 21	Latest	Prev. close
£ spot	1.5385	1.5460
1 mth	1.5378	1.5452
3 mth	1.5369	1.5443
1 yr	1.5336	1.5407

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the move did not signify a bottom in German interest rates. Indeed, with the Bundesbank signalling that it may consider changing the way it measures M3 growth to a monthly annualised change, the possibility exists that Germany will see both M3 and inflation falling early next year (indirect tax increases will fall out of the calculation in January).

Given that these are the two key monetary indicators the the Bundesbank watches, there are grounds for still expecting lower rates.

Euromark futures traded briskly after the Bundebank meeting. The December contract traded 50,000 lots to finish at 95.09 from 95.12.

■ The dollar had a better day, despite the Bundesbank's decision to freeze rates which might have been considered bearish for the dollar. Dealers attributed the improved price action to an absence of long term sellers. Most investors with long dollar positions who wanted to sell had done so in the course of the currency's sharp fall from DM1.67 to DM1.52.

Mr Hawkins commented: "There are signs that, around the DM1.55 level, there is a good deal of genuine support for the dollar. It is becoming more resilient to bad news."

Also contributing to an apparent shift in sentiment are the more explicit statements of concern from leading financial officials about the dollar. First up was Mr Alan Greenspan, the Fed chairman, who evinced more concern than previously about the weakness of the currency during his Humphrey Hawkins testimony.

He was followed yesterday by Mr Larry Summers, the Treasury undersecretary. Presenting the Treasury's semi-annual report to Congress on foreign exchange, he said a firmer dollar "would have important economic benefits for the United States."

Reminding the Administration that their sins of omission and commission may have contributed to dollar weakness was no less a figure than Mr George Soros, the influential American financier. He said nervous world financial markets reflected a lack of direction and concern by leading industrial nations. "It's time for the authorities to pay attention," he added.

Mr Mark Austin, treasury strategist at Midland Global Markets, said the Administration was probably more concerned about the impact of a weak dollar on domestic financial markets, rather than the level of the dollar in itself.

The Bundesbank's rate decision spilled over into the futures market where the December eurodollar contract slipped on LIFFE to 94.15 from 94.24.

■ Sterling continued its recent pattern of tracking the dollar. The UK currency shrugged off a good set of trade data to close lower against the dollar at $1.5375 from $1.549. It was little changed against the D-Mark, at DM2.4231 from DM2.4259.

The Bank of England provided £552m assistance to UK money markets after declaring a £700m shortage.

■ OTHER CURRENCIES

Jul 21	£	$
Hungary	158.175 - 158.430	101.810 - 101.710
Iran	2731.00 - 2733.00	1748.00 - 1750.00
Kuwait	0.4559 - 0.4574	0.2966 - 0.2974
Poland	34490.3 - 34658.9	22440.0 - 22470.0
Russia	3121.13 - 3127.28	2030.00 - 2034.08
U.A.E.	5.6481 - 5.6595	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0624	-0.0071	530 - 718	17.1169	16.9807	17.0586	0.3	17.053	0.2	-	-	114.9
Belgium	(BFr)	49.8519	-0.1328	142 - 896	50.0270	49.6650	49.8469	0.1	49.8919	-0.3	49.8919	-0.1	116.6
Denmark	(DKr)	9.5169	-0.0093	122 - 215	9.5366	9.4736	9.5239	-0.9	9.539	-0.9	9.584	-0.7	116.9
Finland	(FM)	8.0285	-0.0067	182 - 388	8.0460	7.9880	-	-	-	-	-	-	82.2
France	(FFr)	8.3064	-0.0037	998 - 129	8.3191	8.2881	8.3105	-0.6	8.3155	-0.4	8.298	0.1	109.6
Germany	(DM)	2.4231	-0.0028	215 - 247	2.4323	2.4106	2.4226	0.1	2.4212	0.3	2.4	1.0	125.6
Greece	(Dr)	368.156	-0.713	808 - 505	367.268	364.873	-	-	-	-	-	-	-
Ireland	(I£)	1.0134	+0.0008	126 - 142	1.0158	1.0066	1.0136	-0.2	1.0144	-0.4	1.018	-0.5	104.3
Italy	(L)	2417.91	+1.45	655 - 927	2421.23	2406.22	2424.61	-3.3	2438.76	-3.1	2490.01	-3.0	76.1
Luxembourg	(LFr)	49.8519	-0.1328	142 - 896	50.0270	49.6650	49.8469	0.1	49.8919	-0.3	49.8918	-0.1	116.6
Netherlands	(Fl)	2.7186	-0.0029	173 - 198	2.7247	2.7059	2.7178	0.3	2.718	0.4	2.6941	0.9	120.4
Norway	(NKr)	10.5825	-0.0093	775 - 874	10.6031	10.4827	10.5795	0.3	10.59	-0.3	10.576	0.1	88.5
Portugal	(Es)	248.922	-0.769	687 - 156	249.674	247.993	250.652	-8.3	253.832	-7.9	-	-	-
Spain	(Pta)	199.875	-0.095	733 - 017	200.232	198.841	200.32	-2.7	201.19	-2.6	204.18	-2.1	86.1
Sweden	(SKr)	11.9608	-0.0674	511 - 704	12.0513	11.9257	11.9823	-2.2	12.0328	-2.4	12.2533	-2.4	73.5
Switzerland	(SFr)	2.0464	-0.0044	450 - 478	2.0498	2.0355	2.045	0.9	2.0415	1.0	2.0198	1.4	120.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.0
Ecu	-	1.2680	-0.0013	673 - 687	1.2712	1.2632	1.2688	-0.8	1.2702	-0.7	1.2714	-0.3	-
SDR†	-	0.941056	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5358	-0.0112	352 - 363	1.5484	1.5343	-	-	-	-	-	-	-
Brazil	(R)	1.4322	-0.006	294 - 350	1.4393	1.4294	-	-	-	-	-	-	-
Canada	(C$)	2.1189	-0.0211	178 - 200	2.1451	2.1178	2.1205	-0.9	2.1246	-1.1	2.1517	-1.6	86.1
Mexico	(New Peso)	5.2326	-0.0399	270 - 381	5.2713	5.2270	-	-	-	-	-	-	-
USA	($)	1.5375	-0.0115	370 - 380	1.5513	1.5363	1.5368	0.5	1.5359	0.4	1.5323	0.3	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0911	-0.0127	897 - 925	2.1073	2.0891	2.0911	0.0	2.0924	-0.2	2.1105	-0.9	-
Hong Kong	(HK$)	11.8775	-0.0882	729 - 821	11.9835	11.8690	11.8736	0.4	11.8725	0.2	11.8796	0.0	-
India	(Rs)	48.2372	-0.3514	157 - 586	48.6640	48.2050	-	-	-	-	-	-	-
Japan	(Y)	151.728	-1.247	625 - 831	152.930	151.400	151.343	3.0	150.563	3.1	146.503	3.4	191.8
Malaysia	(M$)	3.9837	-0.0335	816 - 857	4.0163	3.9816	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5449	-0.0292	426 - 472	2.5693	2.5426	2.5488	-1.8	2.5566	-1.8	2.5788	-1.3	-
Philippines	(Peso)	40.5133	-0.3017	157 - 108	40.9108	40.1157	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7663	-0.0428	641 - 684	5.8177	5.7820	-	-	-	-	-	-	-
Singapore	(S$)	2.3220	-0.0178	204 - 235	2.3409	2.3203	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6542	-0.0456	500 - 583	5.7007	5.6500	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9726	-0.0267	549 - 902	7.0119	6.9549	-	-	-	-	-	-	-
South Korea	(Won)	1237.15	-10.45	636 - 794	1247.87	1236.36	-	-	-	-	-	-	-
Taiwan	(T$)	40.9586	-0.29	395 - 777	41.3204	40.9324	-	-	-	-	-	-	-
Thailand	(Bt)	38.3761	-0.3012	482 - 039	38.7200	38.3770	-	-	-	-	-	-	-

†SDR rate for Jul 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0975	+0.0775	950 - 000	11.1075	10.9470	11.1007	-0.4	11.1012	-0.1	11.0313	0.6	104.2
Belgium	(BFr)	32.4240	+0.154	100 - 380	32.4640	32.0790	32.444	-0.7	32.489	-0.8	32.544	-0.4	106.7
Denmark	(DKr)	6.1898	+0.0397	888 - 908	6.2043	6.1113	6.1958	-1.2	6.2068	-1.1	6.2438	-0.9	105.5
Finland	(FM)	5.2218	+0.0343	168 - 268	5.2363	5.1535	5.2248	-0.7	5.2273	-0.4	5.2663	-0.9	77.0
France	(FFr)	5.4025	+0.0375	000 - 050	5.4075	5.3320	5.4076	-1.1	5.4145	-0.9	5.3875	0.3	106.0
Germany	(D)	1.5760	+0.0098	755 - 765	1.5815	1.5560	1.5768	-0.5	1.5764	-0.1	1.5663	0.6	106.7
Greece	(Dr)	238.150	+1.3	000 - 300	238.300	235.550	238.5	-1.8	239.27	-1.9	242.65	-1.9	69.3
Ireland	(I£)	1.5172	-0.0126	164 - 179	1.5357	1.5128	1.5162	0.8	1.5142	0.8	1.5073	0.7	-
Italy	(L)	1572.63	+12.57	225 - 300	1576.00	1562.40	1577.68	-3.9	1586.48	-3.5	1624.63	-3.3	76.7
Luxembourg	(LFr)	32.4240	+0.154	100 - 380	32.4640	32.0790	32.444	-0.7	32.489	-0.8	32.544	-0.4	105.7
Netherlands	(Fl)	1.7682	+0.0112	679 - 684	1.7714	1.7457	1.7688	-0.4	1.7676	0.1	1.7604	0.4	105.5
Norway	(NKr)	6.8829	+0.0449	819 - 839	6.8964	6.7630	6.8864	-0.6	6.8909	-0.5	6.8864	0.2	96.8
Portugal	(Es)	161.900	+0.7	800 - 000	162.000	160.100	163.13	-9.1	165.17	-8.1	172.3	-6.4	94.3
Spain	(Pta)	130.000	+0.9	950 - 050	130.100	128.500	130.385	-3.4	131.02	-3.1	133.39	-2.6	81.3
Sweden	(SKr)	7.7794	+0.014	756 - 831	7.7955	7.7007	7.7964	-2.6	7.8329	-2.8	7.9874	-2.7	78.6
Switzerland	(SFr)	1.3310	+0.007	305 - 315	1.3340	1.3137	1.3307	0.3	1.3293	0.5	1.3168	1.1	106.3
UK	(£)	1.5375	-0.0115	370 - 380	1.5513	1.5363	1.5368	0.5	1.5359	0.4	1.5323	0.3	87.4
Ecu	-	1.2126	-0.0077	123 - 128	1.2268	1.2101	1.2111	1.4	1.209	1.2	1.2209	-0.7	-
SDR†	-	1.45252	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9989	+0.0001	988 - 989	0.9989	0.9986	-	-	-	-	-	-	-
Brazil	(R)	0.9315	+0.003	300 - 330	0.9330	0.9300	-	-	-	-	-	-	-
Canada	(C$)	1.3782	-0.0034	779 - 784	1.3833	1.3765	1.3799	-1.5	1.3834	-1.5	1.4042	-1.9	82.4
Mexico	(New Peso)	3.4033	-0.0006	008 - 058	3.4060	3.4005	3.4043	-0.4	3.4061	-0.3	3.4135	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3601	+0.0018	596 - 605	1.3641	1.3535	1.3604	-0.2	1.3611	-0.3	1.3684	-0.6	86.6
Hong Kong	(HK$)	7.7252	+0.0002	247 - 257	7.7261	7.7247	7.725	0.0	7.7257	0.0	7.7407	-0.2	-
India	(Rs)	31.3738	+0.005	700 - 775	31.3775	31.3700	31.4588	-3.3	31.6038	-2.9	-	-	-
Japan	(Y)	98.6850	-0.075	500 - 200	98.8300	97.8500	98.48	2.5	98.035	2.6	95.63	3.1	151.3
Malaysia	(M$)	2.5910	-0.0025	905 - 915	2.5930	2.5880	2.5916	4.3	2.5705	3.2	2.644	-2.0	-
New Zealand	(NZ$)	1.6553	-0.0065	543 - 562	1.6617	1.6528	1.6563	-0.7	1.6581	-0.7	1.6634	-0.5	-
Philippines	(Peso)	26.3500	-	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7506	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5102	-0.0004	097 - 107	1.5107	1.5085	1.5089	1.1	1.507	0.9	1.5002	0.7	-
S Africa (Com.)	(R)	3.6775	-0.0023	760 - 790	3.6790	3.6630	3.693	-5.1	3.7213	-4.8	3.798	-3.3	-
S Africa (Fin.)	(R)	4.5350	+0.015	250 - 450	4.5450	4.5250	4.5887	-8.9	4.6275	-8.2	-	-	-
South Korea	(Won)	804.650	-0.8	400 - 900	805.600	804.200	807.65	-4.5	811.15	-3.2	829.65	-3.1	-
Taiwan	(T$)	26.6398	+0.0098	360 - 435	26.6485	26.6350	26.6598	-0.9	26.6998	-0.9	-	-	-
Thailand	(Bt)	24.9600	-0.01	500 - 700	24.9800	24.9500	25.0325	-3.5	25.16	-3.2	25.64	-2.7	-

†SDR rate for Jul 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 20. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	16.66	4.861	2.032	4849	5.452	21.22	499.3	400.8	23.99	4.104	2.006	4.249	3.083	304.3	2.544
Denmark	(DKr)	52.39	10	8.728	2.546	1.065	2540	2.856	11.12	261.6	210.0	12.57	2.150	1.051	2.226	1.615	159.4	1.332
France	(FFr)	60.02	11.46	10	2.917	1.220	2910	3.272	12.74	299.7	240.5	14.40	2.463	1.204	2.550	1.850	182.6	1.527
Germany	(DM)	20.67	3.927	3.428	1	0.416	997.5	1.122	4.366	102.7	82.46	4.936	0.844	0.413	0.874	0.634	62.61	0.523
Ireland	(I£)	49.21	9.394	8.199	2.392	1	2386	2.683	10.44	245.7	197.2	11.81	2.020	0.987	2.091	1.517	149.8	1.252
Italy	(L)	2.062	0.394	0.344	0.100	0.042	100.	0.112	0.438	10.30	8.266	0.495	0.085	0.041	0.088	0.064	6.276	0.052
Netherlands	(Fl)	18.34	3.501	3.056	0.891	0.373	889.3	1	3.893	91.57	73.51	4.400	0.753	0.368	0.779	0.565	55.81	0.467
Norway	(NKr)	47.12	8.994	7.851	2.290	0.957	2284	2.569	10	235.3	188.8	11.30	1.934	0.945	2.002	1.453	143.4	1.198
Portugal	(Es)	20.03	3.823	3.337	0.973	0.407	971.1	1.092	4.251	100.	80.27	4.805	0.822	0.402	0.851	0.618	60.95	0.509
Spain	(Pta)	24.95	4.763	4.157	1.213	0.507	1210	1.360	5.295	124.6	100.	5.986	1.024	0.501	1.060	0.769	75.93	0.635
Sweden	(SKr)	41.68	7.957	6.945	2.026	0.847	2021	2.273	8.846	208.1	167.1	10	1.711	0.836	1.771	1.285	126.8	1.060
Switzerland	(SFr)	24.36	4.651	4.060	1.184	0.495	1181	1.328	5.171	121.7	97.65	5.846	1	0.489	1.035	0.751	74.14	0.620
UK	(£)	49.85	9.516	8.306	2.423	1.013	2417	2.718	10.58	248.9	199.8	11.96	2.046	1	2.118	1.537	151.7	1.268
Canada	(C$)	23.54	4.493	3.922	1.144	0.478	1141	1.283	4.995	117.5	94.33	5.647	0.966	0.472	1	0.726	71.62	0.599
US	($)	32.43	6.191	5.404	1.576	0.659	1573	1.768	6.884	161.9	130.0	7.781	1.331	0.651	1.378	1	98.70	0.825
Japan	(Y)	328.6	62.73	54.75	15.97	6.678	15933	17.92	69.74	1641	1317	78.84	13.49	6.592	13.96	10.13	1000.	8.359
Ecu		39.31	7.506	6.550	1.911	0.799	1906	2.144	8.344	196.3	157.6	9.432	1.614	0.789	1.670	1.212	119.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6389	0.6409	+0.0026	0.6419	0.6389	57,100	97,336
Dec	0.6410	0.6412	+0.0019	0.6424	0.6407	370	3,458
Mar	-	0.6403	-	-	-	19	741

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0171	1.0244	+0.0086	1.0248	1.0160	30,874	68,636
Dec	1.0290	1.0316	+0.0084	1.0316	1.0270	526	4,875
Mar	-	1.0313	-	-	-	88	786

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7579	0.7605	+0.0036	0.7611	0.7578	27,985	44,136
Dec	0.7610	0.7618	+0.0032	0.7625	0.7608	110	1,049
Mar	-	0.7645	-	0.7645	-	2	9

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5436	1.5474	+0.0046	1.5486	1.5408	14,845	39,803
Dec	1.5460	1.5470	+0.0036	1.5490	1.5460	280	903
Mar	-	1.5450	-	1.5480	-	6	151

EMS EUROPEAN CURRENCY UNIT RATES

Jul 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15045	-0.00061	-2.11	4.76	-
Belgium	40.2123	39.4880	-0.0265	-1.80	4.43	13
Germany	1.94964	1.91723	-0.00064	-1.66	4.29	-
Ireland	0.808628	0.802840	+0.001865	-0.72	3.29	5
France	6.53883	6.56963	-0.00626	0.46	2.09	-4
Denmark	7.43679	7.52755	-0.00254	1.22	1.32	-8
Portugal	192.854	197.010	-0.231	2.15	0.39	-14
Spain	154.250	158.186	+0.055	2.55	0.00	-18
NON ERM MEMBERS						
Greece	264.513	289.853	-0.02	9.58	-6.41	-
Italy	1793.19	1912.27	-3.5	6.64	-3.83	-
UK	0.786749	0.793513	+0.003958	0.86	1.88	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.475	7.16	7.32	7.51	-	0.28	0.59
1.500	4.81	5.27	5.62	0.13	0.65	1.12
1.525	2.73	3.49	3.95	0.55	1.35	1.93
1.550	1.25	2.11	2.61	1.51	2.43	3.01
1.575	0.44	1.17	1.69	3.14	3.95	4.51
1.600	0.10	0.60	1.00	5.29	5.84	6.30

Previous day's vol., Calls 15,614 Puts 19,172 . Prev. day's open int., Calls 628,061 Puts 504,263

WORLD INTEREST RATES

MONEY RATES

July 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5¼	5½	5⅝	6⅛	7.40	4.50	-
week ago	5	5¼	5¾	6⅛	6⅜	7.40	4.50	-
France	5⅝	5⅝	5⅝	5¾	5⅞	5.10	-	6.75
week ago	5⅝	5⅝	5⅞	6⅛	6¼	5.10	-	6.75
Germany	4.80	4.85	4.85	4.85	4.95	6.00	4.50	4.91
week ago	4.88	4.85	4.90	4.90	5.05	6.00	4.50	4.91
Ireland	5	5⅜	5⅝	6⅛	6⅝	-	-	6.25
week ago	5	5⅜	5⅝	6⅛	6⅝	-	-	6.25
Italy	8⅛	8⅛	8⅜	8⅝	9⅜	-	7.00	8.15
week ago	8⅛	8⅛	8⅝	8⅞	9⅛	-	7.00	8.00
Netherlands	4.85	4.80	4.82	4.94	5.12	-	5.25	-
week ago	4.85	4.80	4.92	5.00	5.20	-	5.25	-
Switzerland	4	4⅜	4½	4⅝	4½	6.625	3.50	-
week ago	4	4⅜	4½	4⅝	4⅝	6.625	3.50	-
US	4¼	4¼	4⅝	5	5¼	-	3.50	-
week ago	4¼	4¼	4⅞	5⅛	5¼	-	3.50	-
Japan	2	2⅛	2⅛	2⅛	2⅜	-	1.75	-
week ago	2	2⅛	2⅛	2⅛	2⅜	-	1.75	-
■ S LIBOR FT London								
Interbank Fixing	-	4½	4⅞	5¼	5⅝	-	-	-
week ago	-	4½	4⅞	5¼	5⅝	-	-	-
US Dollar CDs	-	4.33	4.60	4.90	5.44	-	-	-
week ago	-	4.33	4.70	5.02	5.62	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅞; 6 mths: 6 ; 1 year: 6¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.34	94.30	-0.06	94.37	94.27	17,511	48,282
Dec	94.24	94.19	-0.07	94.28	94.14	15,033	36,969
Mar	94.07	94.03	-0.06	94.08	93.96	7,415	31,626
Jun	93.86	93.82	-0.07	93.88	93.78	3,149	23,846

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.83	94.84	-0.04	94.84	94.83	85	2873
Dec	94.16	94.15	-0.09	94.16	94.13	260	1914
Mar	93.91	93.90	-0.09	93.91	93.91	142	1241
Jun	93.61	93.61	-0.07	93.61	93.60	59	314

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.15	-0.03	95.21	95.14	38338	173819
Dec	95.13	95.09	-0.03	95.14	95.04	50253	177584
Mar	94.95	94.92	-0.02	94.97	94.83	36885	152836
Jun	94.69	94.67	-0.01	94.71	94.54	25083	92733

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.32	91.34	-0.01	91.41	91.28	6117	31956
Dec	91.02	91.05	-0.01	91.11	90.98	3604	46741
Mar	90.71	90.69	-0.01	90.75	90.62	1225	12313
Jun	90.23	90.22	-	90.27	90.15	597	10490

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.77	95.75	-0.01	95.78	95.70	4300	22436
Dec	95.63	95.61	-	95.63	95.55	1968	10199
Mar	95.42	95.41	-	95.42	95.37	865	10036
Jun	95.14	95.10	-0.02	95.14	95.10	226	2033

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.08	94.05	-0.02	94.08	94.01	1695	11365
Dec	93.86	93.84	-0.02	93.89	93.81	878	8926
Mar	93.67	93.62	-0.04	93.67	93.59	603	4472
Jun	93.36	93.34	-0.01	93.36	93.25	266	1097

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.85	94.82	-0.04	94.86	94.80	164,223	431,626
Dec	94.14	94.13	-0.05	94.16	94.12	298,120	431,848
Mar	93.88	93.86	-0.06	93.93	93.86	143,420	328,271

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.30	95.29	-0.03	95.30	95.28	2,379	22,804
Dec	94.74	94.73	-0.03	94.75	94.71	956	8,547
Mar	94.48	94.46	-0.05	94.48	94.46	71	1,926

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Oct	PUTS Dec	PUTS Mar
9500	0.18	0.18	0.18	0.23	0.01	0.03	0.09	0.14
9525	0.01	0.04	0.07	0.11	0.11	0.14	0.23	0.25
9550	0	0.01	0.02	0.05	0.35	0.36	0.43	0.44

Est. vol. total, Calls 8165 Puts 5061. Previous day's open int., Calls 330004 Puts 154436

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9575	0.11	0.15	0.22	0.11	0.29	0.36
9600	0.03	0.07	0.13	0.28	0.46	0.72
9625	0.01	0.04	0.08	0.51	0.68	0.92

Est. vol. total, Calls 0 Puts 250. Previous day's open int., Calls 1205 Puts 1126

UK INTEREST RATES

LONDON MONEY RATES

Jul 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4⅝	5⅛ - 4⅞	5⅛ - 4$\frac{15}{16}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5½ - 5⅜	6⅛ - 6
Sterling CDs	-	-	5$\frac{1}{32}$ - 4$\frac{31}{32}$	5⅛ - 5$\frac{3}{32}$	5$\frac{13}{32}$ - 5$\frac{11}{32}$	5$\frac{31}{32}$ - 5$\frac{29}{32}$
Treasury Bills	-	-	4$\frac{29}{32}$ - 4$\frac{27}{32}$	4$\frac{31}{32}$ - 4$\frac{29}{32}$	-	-
Bank Bills	-	-	4$\frac{31}{32}$ - 4$\frac{29}{32}$	5 - 4$\frac{15}{16}$	5$\frac{9}{32}$ - 5$\frac{7}{32}$	-
Local authority deps.	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5⅜ - 5¼	5$\frac{13}{16}$ - 5$\frac{11}{16}$
Discount Market deps	6 - 4⅞	4$\frac{15}{16}$ - 4$\frac{13}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9379pc. ECGD fixed rate Stg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 25, 1994, Scheme II & III: 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Scheme IV & V: 5.167pc. Finance House Base Rate 5½pc from July 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.55	94.56	+0.01	94.60	94.53	6088	109662
Dec	93.92	93.91	-0.01	93.95	93.86	19887	140287
Mar	93.35	93.33	-0.03	93.36	93.27	11281	69803
Jun	92.80	92.78	-0.04	92.81	92.73	3626	51487

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9450	0.14	0.07	0.08	0.08	0.66	1.23
9475	0.03	0.03	0.03	0.22	0.87	1.45
9500	0	0.01	0.02	0.44	1.10	1.69

Est. vol. total, Calls 10950 Puts 560. Previous day's open int., Calls 224205 Puts 209477

BASE LENDING RATES

[illegible]

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 21 / Sch)

BELGIUM/LUXEMBOURG (Jul 20 / Frs.)

DENMARK (Jul 21 / Kr)

FINLAND (Jul 21 / Mka)

FRANCE (Jul 21 / Frs.)

GERMANY (Jul 21 / Dm.)

ITALY (Jul 21 / Lire)

NETHERLANDS (Jul 21 / Fls.)

NORWAY (Jul 21 / Kroner)

SPAIN (Jul 21 / Pts.)

SWEDEN (Jul 21 / Kronor)

SWITZERLAND (Jul 21 / Frs.)

PACIFIC

JAPAN (Jul 21 / Yen)

Sanden	640	+1	704	515	...	—
Sankyo	2,260	−20	2,860	2,110	0.4	—
Sanrio	1,870	−80	2,150	1,010	...	—
SnwaBk	2,110	−30	2,370	2,010	...	—
SnwaSh	909	−1	1,000	865	...	—
SnyoEl	582	−7	609	415	...	—
Sapporo	978	−12	1,000	870	...	—
Secom	6,770	+80	7,280	6,350	0.6	—
SegaEn	7,740	−40	8,540	7,010	...	—
SeibuR	4,000	−60	4,650	3,370	...	—
SeinoT	1,640	−20	1,860	1,580	0.6	—
SeiyoF	1,320	−20	1,380	1,080	...	—
Seiyu	1,440	−20	1,510	1,280	...	—
SekChm	1,050	−40	1,160	958	...	—
SekHse	1,310	−10	1,490	1,250	1.4	—
Settsu	430	−6	512	361	1.2	—
SvElev	8,100	−100	8,580	7,430	...	—

HONG KONG (Jul 21 / H.K.$)

MALAYSIA (Jul 21 / M.$)

SINGAPORE (Jul 21 / S$)

AUSTRALIA (Jul 21 / Aust.$)

PacDun	4.94	+.02	5.92	4.13	4.7	—
Pancon	1.57	−.02	2.15	1.36	—	—
Pasmnco	1.84	...	2.43	1.58	—	—
Plosio	3.02	−.02	3.42	2.60	5.0	12.6
PlaPac	3.32	−.03	3.90	2.49	1.0	—
Plutnc	6.36	−.14	9.25	5.80	0.9	—
PosGld	3.24	−.04	4.30	2.83	3.1	—
QBE In	5.40	−.16	6.56	4.80	4.1	—
QCT Rs	1.50	...	1.74	1.15	6.7	—
RnenGd	4.35	−.05	6.25	4.29	0.5	—
Rothmn	8.40	−.10	7.13	5.01	7.4	6.1
Santos	3.95	−.07	4.52	3.68	6.8	9.2
SmithHw	6.48	−.10	7.10	5.95	4.2	—
SonGwn	10	...	10.02	8.10	5.0	—
Sthr'n	2.85	+.04	3.90	2.65	—	—
Stkdd	3.06	+.06	3.70	2.95	7.8	21.9
TNT	2.61	−.02	2.65	1.81	—	—
TelCpN	3.28xd	−.25	4.60	3.28	5.3	—

NORTH AMERICA

CANADA

TORONTO (Jul 21 / Can $) 4 pm close

5500	AbtNG	14		$14	13¾	22550	Pgasus	20	−⅛	$20⅛	20
300029	AlcnAl	33⅝	+⅛	$33¾	33⅛	120525	PetCan	12	−⅛	$12⅛	12
494585	AmBarr	32⅜	−⅛	$33⅝	32⅜	7586	Phillip	8		$8	8
115	AtcoCl	14		$14	14	221039	PlDome	28¼	−⅛	$28⅜	28¼
115700	Avenor	21⅞	+⅛	$22	21¾	49150	PowrCp	19⅝	−⅛	$19⅝	19⅛
6800	BCSugA	7⅝	−⅛	$8	7⅝	2100	PowrFn	28⅞		$28⅞	28⅞
20598	BC Tel	23⅞	+⅛	$23⅞	23⅞	84125	RenrkY	16	+½	$16	15⅝
178582	BCE	46⅞	−⅛	$47⅛	46⅞	600	RafnsS x	16⅜		$16⅜	d16⅜
8900	BCE Mb	37	+⅛	$37	36⅞	200	Rothmn	77	+1	$77	77
3300	BGR A	15½	+⅛	$15⅝	15½	114900	RegOil	6⅞	−⅛	$6	6¾
4600	Bramak	10¼	−⅛	$10⅝	10⅛	414	ReedSt	25⅛	+⅛	$25⅛	25⅛
372700	BkMont	23⅛	−⅛	$23⅛	23	61062	Ren En	29⅛	−⅛	$29⅝	29⅛
462886	BkNovS	25	+⅛	$25⅛	24⅞	169850	Repap	475	+5	485	470
154047	BeauEx	236	−6	242	236	169900	Rigel	20	−½	$20⅛	20
31451	BmbdrB x	20½	−⅛	$20⅝	20⅛	15915	RioAlg	23⅞	−½	$24⅛	23⅞
558476	BowVal	15⅞	+⅛	$15⅞	15⅝	344084	RogCmB	20⅛	−⅛	$20⅛	20⅛
518200	Bmlea	21	−½	21½	d21	653830	RoyBkC x	27½	+⅛	$27⅝	27
14300	BracnA	19⅛		$19⅛	19	177738	RoyOak	6¼	−⅛	$6	6¼

MONTREAL (Jul 21 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jul 21 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Thursday, July 21, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Komatsu	6.5m	945	−8	Mitsubishi Elec	2.8m	698	−11
Nippon Steel	5.8m	340	−1	Mitsubishi Oil	2.7m	1180	−10
Fujitsu	4.9m	1070	−20	Kawasaki Steel	2.5m	400	−2
Nippon Yusen	3.4m	645	+10	Mitsubishi Hvy	2.4m	793	−3
Mitsui Sugar	3.0m	637	−1	Sumitomo Metal	2.3m	293	−4

INDICES

	Jul 21	Jul 20	Jul 19	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	720.11	716.50	704.83	817.17	10/5	598.86	10/1
MIB General (4/1/94)	1153.0	1157.0	1138.0	1318.00	10/5	944.80	10/1
Japan							
Nikkei 225 (16/5/49)	20622.92	20780.79	20775.16	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	299.55	302.22	302.09	311.71	13/6	288.32	4/1
Topix (4/1/68)	1651.98	1665.49	1664.30	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2509.57	2531.55	2519.38	2542.86	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	996.36	1009.72	999.20	1314.46	5/1	928.33	4/4

	Jul 21	Jul 20	Jul 19	1994 High		1994 Low	
JCapeDrgns (31/12/88)	(u)	313.80	311.79	305.19	5/1	250.28	21/3
Barings Emerg.(7/1/92)	157.09	157.55	158.71	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	2036.0	2065.0	+18.0	2069.0	2032.0	20,802	31,957
Aug	2043.0	2073.5	+18.5	2078.5	2043.0	-	1,473
Sep	2051.5	2081.5	+18.0	2082.0	2060.0	1,589	25,905

Open interest figures for previous day.

** Sat July 16: Taiwan Weighted Price (c) ; Korea Comp Ex 949.73. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 21 - 2126.75 +5.78

US INDICES

Dow Jones	Jul 20	Jul 19	Jul 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3727.27	3748.31	3755.43	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.61	97.76	97.48	106.81 (21/1)	96.43 (13/5)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	1596.31	1606.56	1603.13	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.64	183.17	182.90	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3763.85 (3777.45) Low 3708.22 (3728.30) (Theoretical♦)
Day's high 3763.49 (3782.23) Low 3720.47 (3748.31) (Actual♦)

Standard and Poors	Jul 20	Jul 19	Jul 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	451.60	453.86	455.22	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	526.45	529.02	530.44	580.58 (2/2)	510.05 (21/4)	580.58 (2/2/94)	3.62 (21/6/32)
Financial	44.51	44.86	45.32	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	249.70	250.89	251.44	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.00	433.98	432.59	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	712.77	719.32	722.62	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 15	Jul 8	Jul 1	Year ago
Dow Jones Ind. Div. Yield	2.71	2.74	2.79	2.95
	Jul 13	Jul 6	Jun 29	Year ago
S & P Ind. Div. yield	2.47	2.49	2.48	2.58
S & P Ind. P/E ratio	22.93	22.72	23.10	24.69

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	451.85	451.90	-0.05	452.70	451.10	58,515	205,231
Dec	454.50	454.40	-0.15	455.20	453.70	458	12,414
Mar	-	458.00	-	458.60	457.45	5	2,796

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Compaq	7,819,400	31⅛	-1⅝
Cadence	4,096,000	13⅞	-3⅞
Telefonica	3,248,900	41⅛	-1
WMX Tech	3,188,700	26⅞	+1⅛
IBM	3,184,700	65⅞	+¼
Intl Game	2,829,900	20⅝	-1¼
Ford Motor	2,425,700	31⅞	+⅛
Chase Man	2,403,300	36	-¼
John & Jhsn	2,118,200	44⅝	+1
Citicorp	2,034,200	40⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jul 20	Jul 19	Jul 18
New York SE	267.750	251.498	227.448
Amex	13.026	14.457	12.803
NASDAQ	271.374	271.898	224.439
NYSE			
Issues Traded	2,814	2,842	2,857
Rises	728	970	1,118
Falls	1,395	1,093	1,001
Unchanged	693	779	740
New Highs	31	58	51
New Lows	45	44	40

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close July 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	13⅜	AAR	0.48	3.4	475	107	14⅛	14⅛	14¼	+⅛
16⅞	13	A L Labs A	0.18	1.3	32	172	14	13¾	13⅞	+¼
73	57⅝	AMP	1.66	2.4	24	943	70¼	69⅝	69⅝	-⅝
72¾	52¼	AMR			30	5088	61⅜	60⅛	60⅛	-1⅛
5	3⅛	ARX			12	93	3¾	3⅝	3⅝	
56⅛	38⅝	ASA	2.00	4.4	30	633	45⅝	45	45⅝	+⅛
31⅜	25⅜	AbbtLx	0.76	2.7	16	6998	28¼	27⅞	28	+⅛
13¾	11⅜	AbitibiPr	0.50	3.9	9	785	12⅞	12¾	12⅞	+⅛
23⅝	17¾	ABM Ind x	0.52	2.6		36	20¼	19⅞	20⅛	+⅛
13¾	11⅛	Acptocaln			24	27	13⅜	13⅜	13⅜	+⅛
31	22¾	ACE Ltd	0.44	1.9	3	3822	24¾	23⅛	23¼	-2
12½	10⅛	ACM Gvt In	1.09	10.1		600	11	10¾	10⅞	
10⅛	7⅞	ACM GvOpp	0.80	9.6		29	8¼	8¼	8¼	-⅛
10⅝	8	ACM Gvt Sp	0.96	11.6		325	8¼	8⅛	8¼	+⅛
12	9⅛	ACM Gvt Se	1.09	11.5		209	9½	9⅜	9½	
11¾	8⅝	ACM Man	1.08	12.2		153	9	8⅞	8⅞	-⅛
9¼	8	ACM Managd	0.72	8.9		66	8⅛	8⅛	8⅛	
15½	8⅜	AcmeClv	0.44	3.9	14	19	11½	11⅜	11⅜	-⅛
9¼	6½	Acme Elect			5	57	8	7¾	7¾	-⅛
28¾	23	Acordia	0.60	2.3	13	12	26⅝	26⅜	26⅝	+⅛
9⅜	5¾	Actava	0.36	4.1	2	161	9	8¾	8⅞	
15⅝	11¼	Acuson			90	1797	11¾	11½	11¾	+⅛
18⅜	16½	Adams Expr	0.48	2.8	0	41	17⅛	17	17⅛	+⅛
64	46½	Ad Micro	3.00	5.5		463	54½	52⅞	54½	+1⅝
31¾	16⅜	AdvMic	3.00	11.6	11	9574	25⅞	24½	25⅞	+1¼
6⅞	5	Advest Grp	0.16	3.1	8	15	5⅛	5⅛	5⅛	
20	15	Advo Inc	0.10	0.6	117	5	17⅝	17⅝	17⅝	+⅛
57¼	49⅛	Aegon ADR	2.85	5.4	12	47	55	54¾	54⅞	+⅛

Continued on next page

NYSE COMPOSITE PRICES

4 pm close July 21

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
8½	4⅞	SafetyKl				16	6⅜	6⅛	6⅛	-¼
61	47⅞	StJoePaper	0.20	0.3	315	157	u61	59¾	60	+1½
30¼	25	StJosLP	1.80	7.0	13	7	25⅞	25⅞	25⅞	+⅛
45	37¾	StPaul	1.60	3.7	4	983	40⅝	40¼	40¼	
9⅜	6	Salant Crp			8	2	6½	6½	6½	
49⅞	34¼	Sallie Mae	1.40	4.1	7	2857	34⅝	d34¼	34¼	-⅛
13⅝	11⅞	Salomon Br	0.32	2.6		107	12⅜	12¼	12¼	-⅛
52¾	42½	Salomon	0.64	1.5	5	3589	43⅝	d42½	43	+½
25	17½	SDgGE	1.52	7.7	10	1858	19¾	19⅝	19¾	
10	7½	SantaFeEn	0.16	1.6	10	1983	9¾	9½	9¾	+⅛
15¼	13½	SFeGd				858	14¾	14⅛	14⅛	-⅛
40	31½	SantaFePac	2.80	7.6	17	256	36⅞	36	36⅝	+⅞
28¼	18½	SanFeP	0.10	0.5	101	1344	20	19⅝	19¾	+⅛
26	19⅝	SaraLee	0.64	3.1	14	6775	20⅞	20⅝	20¾	
50⅛	42⅞	Scana Corp	2.82	6.4	11	108	44¼	43⅞	44⅛	
20½	12½	Scecorp	1.00	7.7	9	2488	13⅛	13	13	
40½	31¾	ScheringP			26	144	35⅛	34½	35⅛	+⅛
69⅞	54½	SchrPl	2.04	3.3	14	5296	62⅛	61	62⅛	+⅝
63	50¾	Schlmb	1.20	2.0	25	4785	60⅝	59½	60⅛	-1¼
32⅞	23¾	Schwab(C)	0.28	1.1	12	688	26	25⅝	26	+⅛
10¾	6⅞	Schwitzer			24	181	8⅝	8½	8½	-⅛
38⅞	24⅞	SciAtl	0.12	0.4	68	486	34½	33½	34⅛	+¼
16⅞	13	Scotsman	0.10	0.7	13	6	14½	14⅜	14⅜	-⅛
54½	37¼	ScottP	0.80	1.5	13	2888	54	53½	53⅝	-⅛
28⅝	18⅝	ScudderNAsF	0.27	0.9		46	23⅝	23¼	23½	
12⅝	9½	ScudderNEuF	0.18	1.6		153	10⅛	10	10	-⅛
16¾	13½	SeaCntB	0.70	4.4	7	2	16	16	16	-¼
18½	14⅞	SeaC1.4625	1.46	9.3		z100	15¾	15¾	15¾	
32	26¼	Seagram	0.56	1.8	39	4963	30⅝	30¼	30⅝	+⅛
28¾	23	Seagull En			35	364	27	26¾	27	+¼
31⅝	26⅝	Sealed Air			22	82	29¾	29½	29½	-¼
[illegible]										

- S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Adv Magn		497	67	13¼	13	13⅛	+⅛
Alltin Inc		2	5	1½	1½	1½	-⅛
Alpha Ind		2	68	4⅝	4½	4½	-⅛
Am Isr Pa	1.04	13	2	45½	45½	45½	
AmMaize A	0.84	981	204	20⅝	19⅝	19⅝	-1⅛
Amdahl	0.05	2	4662	6½	6	6½	+¼
Am Expl		3	617	1¼	1¼	1⅜	+⅛
Ampal-AmA		45	52	8⅞	8¼	8¼	-¼
ASR Inv	0.72	5	45	2½	2½	2½	+⅛
Astrotech		25	18	2⅜	2⅜	2⅜	
Atari		4	2917	3⅞	3½	3¾	+⅛
AtlasCM B		0	93	⅝	⅝	⅝	
Audiovx A		6	194	7	6¾	6⅞	
B&H Ocean	0.55	0	6	2⅝	2⅝	2⅝	-⅛
BadgerMtr	0.73	18	9	24½	23⅞	24⅛	-⅛
BaldwinT A	0.84	26	57	4½	4⅜	4½	
Barry RG		19	241	19⅝	19¼	19⅝	-⅛
BAT Ind	0.29	12	314	7¼	7⅛	7⅛	
Beard		6	7	2	1⅞	2	
Binks Mar	0.40	145	81	20⅞	d19½	20⅛	+½
Bio-Rad A		52	91	18⅝	18	18¼	-⅛
Blount A	0.50	44	23	40¾	40⅜	40½	-⅛
Bow Valley		125	35	11¼	11	11¼	+⅛
Bowmar		30	91	3¼	3	3	-⅛
Bowne	0.30	10	29	22⅛	22	22	-¼
Brascan A	1.04	14	4	13⅞	13⅞	13⅞	
Calprop		2	51	1⅜	¾	1⅜	
Canandgu	0.20	12	5	21⅞	21¼	21¼	-⅛
Can Marc	0.28	20	3	11¼	11⅛	11⅛	-¼
Centrs A	0.01	4	281	2⅝	2½	2⅝	
Chambers		5	10	2½	2½	2½	+⅛
Champion		49	128	33⅝	33¼	33⅝	-⅛
Citadel		282	59	5¼	5⅛	5¼	
CleaPh	0.04	29	1630	11⅝	11¼	11¼	-¼
Cmtrl FdA	0.61		122	5⅜	5¼	5⅜	+⅛
Cominco	0.30	21	8	16	16	16	
Compubrac		0	7	⅝	⅝	⅝	
Concd FdA		5	20	8⅞	8⅝	8⅝	
CrossAT A	0.64	545	266	16¾	16⅜	16⅜	
Crown C A	0.40	40	2	17⅝	17⅝	17⅝	
Crown C B	0.40	14	3	16⅛	16⅛	16⅛	
Cubic	0.53	80	2	18⅝	18⅝	18⅝	-⅛
Customedix		14	z100	2⅛	2⅛	2⅛	
Di Inds		16	25	1⅛	1⅛	1⅛	
Dimark		28	25	17	16⅞	16⅞	-⅛
Decorator		9	20	4⅝	4⅝	4⅝	
Duplex	0.48	9	20	9	9	9	
Easco Co	0.46	14	9	15⅛	15⅛	15⅛	-¼
Eastgroup	1.72	205	42	20⅞	20½	20⅞	
Echo Bay	0.07	363	5084	11⅝	11¼	11½	+¼
Ecol En A	0.30	9	174	11⅛	10⅞	11⅛	+⅛
Edisto Rs		6	7	7⅜	7⅜	7⅜	-⅛
Elan		15	381	34⅛	33⅝	34	
Engy Serv		50	2481	4¼	3⅞	4⅛	
Epitope		10	542	17⅞	16⅞	17	+⅛
Fab Inds	0.64	11	10	33	d32¾	32⅞	+⅛
Fina A	3.20	16	18	76	75⅞	76	-¼
FstCityBnc x	0.20	12	6	10⅛	10⅛	10⅛	-.06
Fluke (J)	0.56	74	59	29⅞	29⅝	29⅝	
Forest La		25	841	43⅛	42⅛	42¾	-⅛
Frequency		4	70	4⅛	4⅛	4⅛	-⅛
Garan	0.80	7	2	22½	22½	22½	+⅛
Giant FdA	0.72	12	497	20⅛	20	20	
Glatfltr	0.70	32	549	15⅛	14⅞	15⅛	-⅛
Goldfield		2	37	½	½	½	
Greenman		35	57	8⅝	8⅝	8⅝	
Gulf Cda	0.34	25	143	3⅞	3⅞	3⅞	
HasDir		22	1189	3⅞	d3½	3⅞	+⅛
Hasbro	0.28	13	654	29⅜	29⅛	29⅛	
Health Ch		5	45	3⅛	3⅛	3⅛	-⅛
Healthwat		3	313	d3⅛	3⅛	3⅛	
Heico	0.15	42	15	9¾	9¾	9¾	
HeinemannA		11	248	8¼	8	8¼	
ICH Corp		1	845	5⅛	5⅛	5⅛	
InstronCp	0.12	25	8	10	9¾	10	+⅛
Int. Comst		3	504	3⅛	3⅛	3⅛	-⅛
Intermagn		101	700	21⅞	19⅞	20⅛	-1⅛
Ivax	0.08	15	1308	15⅞	15½	15½	-¼
Jan Bell		4	281	6⅛	5⅞	6⅛	+¼
Kelema		21	28	14	13⅞	14	-⅛
Kinark Cp		20	45	4⅜	4⅜	4⅜	
Kirby Exp		19	557	17½	17⅛	17⅛	-⅛
KogrEq		84	198	10⅝	9⅞	10⅛	-⅛
Labarge		8	90	1⅛	1⅛	1⅛	+⅛
Laser Ind		16	79	6⅛	6	6⅛	-⅛
Lee Pharm		5	6	1	1	1	
Lumex Inc		185	178	11¼	10⅞	11⅛	+1
Lynch Cp		7	z100	25⅛	25⅛	25⅛	
Maxxam		2	22	37⅞	37⅛	37⅞	+½
Media A	0.44	28	25	27⅞	27⅛	27⅜	+⅛
Mem Co	0.20	6	5	4	4	4	
MtWtd			5	8½	8½	8½	-⅛
Moog A		14	8	8⅜	8⅜	8⅜	
MSR Expl		62	2	⅝	⅝	⅝	
Nat Ptnt		6	267	2⅞	2⅞	2⅞	
NY TmA	0.56	341	382	24¼	23⅝	23¾	-⅛
NthCanOil	0.20	10	5	8	8	8	-⅛
NumacE		115	9	5⅜	5⅜	5⅜	
NVR		12	10	8¾	8¾	8¾	
Odetics A		34	135	d9⅛	d8⅞	9⅛	
Olsten	0.24	156	3589	32⅞	31¾	32⅞	+⅞
Pegasus G	0.40	79	1298	14⅜	14¼	14⅜	-¼
Pechd	0.80	45	11	11	11	11	
Pet HiSP	1.84	9	20	17⅞	17¼	17⅝	
Phil LD	0.24	15	638	57⅝	57⅛	57⅜	+⅛
Pittway A	0.59	18	8	34⅛	33⅞	34⅛	
Ply Gem	0.12	24	443	19⅝	18⅝	18⅞	-⅛
PMC	0.92	17	71	15½	15⅜	15⅜	-⅛
PresidioA	0.10	1	98	1⅛	1⅛	1⅛	
RaganBrad		30	z100	28½	28½	28½	
RSGW Cp		3	117	5¾	5½	5½	-⅛
SJW Corp	2.10	9	37	35¾	d35	35¼	
SthnUnion		15	14	16⅞	16¾	16⅞	+⅛
TII Ind		21	67	3⅞	3⅝	3⅝	
Tab Prods	0.20	48	31	8⅞	d8¾	8¾	
Tel&Data	0.38	58	2982	38⅛	37½	37¾	+⅛
Thermedics		60	22	13½	13⅛	13⅛	
Thermotrex		30	358	28¾	28⅛	28⅛	-⅛
TotPNA	0.20	18	1605	11⅝	11½	11½	-⅛
TownCntry		87	64	2⅝	2½	2⅝	-⅛
Trilon		1	130	1⅛	1⅛	1⅛	
Tubos Mex		7	8	5½	5⅛	5½	+⅛
TurnrBpA	0.07	68	57	18⅝	18⅝	18⅝	
TurnrBrB	0.07	185	2522	18¾	18½	18¾	+⅛
UtdFoodsA		5	40	2⅛	2⅛	2⅛	+⅛
UtdFoodsB	0.20	106	20	2⅛	2⅛	2⅛	
UnivPtnts		25	25	7	6⅞	7	+⅛
US Cellul		92	257	26⅞	26⅝	26¾	
ViacomA		13	3987	38⅛	36⅞	38⅛	+1½
ViacomB			5402	33½	32½	33⅛	+¾
Weatherfd		32	301	13¾	13⅜	13⅜	-½
Westamer x	0.68	24	313	28⅞	28½	28½	
WIRET	1.12	20	308	14⅛	13⅞	14	
Worthen	0.80	13	28	29⅝	29⅝	29⅝	
Xytronix		3	88	3⅛	3½	3⅞	+⅛

NASDAQ NATIONAL MARKET

4 pm close July 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

FINANCIAL TIMES Friday July 22 1994

AMERICA

IBM results lend support to the market

Wall Street

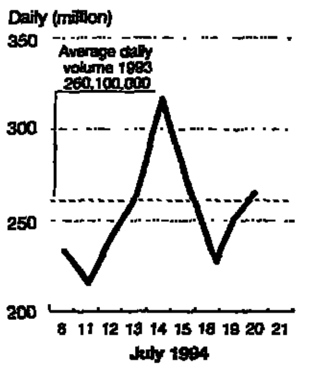
The focus of US equity investors shifted back to corporate profitability yesterday morning, but disappointment from United Technologies somewhat offset a pleasant surprise from IBM, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 7.76 ahead at 3,735.03. The more broadly based Standard & Poor's 500 was up 0.68 at 452.28, even though declining issues on the Big Board outnumbered advances by 1,065 to 858. Volume was moderate, with 161m shares traded on the NYSE by early afternoon

In the secondary markets, the American SE composite was off 0.32 at 432.68, and the Nasdaq composite slipped 0.11 to 712.66.

After a session rattled by fresh uncertainty over interest rates, investors started to concentrate again on how companies performed in the second quarter, amid the pressure of a tightening monetary policy. There was enough favourable news on offer to allow the market to reverse its slide and post a slim gain.

NYSE volume



On Wednesday, Federal Reserve chairman Mr Alan Greenspan had triggered a 21-point decline in the Dow industrials by telling a Senate committee that it remained an open question whether the central banker needed to lift rates again to squeeze out inflationary pressures in the economy.

Yesterday there was conflicting evidence on the effect of the Fed's more restrictive credit conditions.

The July survey of business conditions by the Federal Reserve Bank of Philadelphia suggested that growth in the region was moderating but prices paid by businesses were on the rise.

Despite that unfavourable news, bonds were not a significant factor influencing stocks yesterday. After a brief downturn, the Treasury market was holding steady through the afternoon in action which mirrored movements by the dollar.

In turn, investors in the stock market were left free to sift through a fresh pile of corporate results. Among them, the most impressive performance belonged to IBM, which confounded analysts by posting second-quarter earnings of $1.14 a share, against forecasts of 73 cents. The stock surged $5⅜ to $61 in heavy volume of about 4.5m shares.

The buying enthusiasm spilled over into other computer related issues, helping to stem losses set off earlier in the week by weaker than expected results from Compaq, Intel and Lotus Development.

On the Nasdaq, Apple was $1¼ ahead at $27⅝ and Cyrix put on $1¼ at $34¾. Intel regained $1⅛ at $58.

Tandem Computer added $1 at $13⅛ after its chairman said that the company would beat analysts' forecasts when it announced its results after the close of trading.

Among the blue chips, however, the upturn in IBM's share price was balanced by a sharp downturn in the value of United Technologies' stock. It dropped 5 per cent, or $3⅜, to $63, even though the company's earnings had improved 32 per cent in the quarter.

By contrast, Sears Roebuck continued to improve, rising $1⅛ to $47⅛, while most retailing issues held steady.

Canada

Toronto was easier at midday. The TSE 300 composite index lost 13.60 to 4,168.14 in turnover of 19.29m shares.

Only forestry and precious metals shares escaped the general downtrend that took 12 of Toronto's 14 sub-indices lower at midday. Declines outpaced advances by 302 to 221, with 291 issues holding steady.

The precious metals sector added 61.83 at 9,554.58 on firmer prices, pushed up by inflation fears.

Mexico

Mexican shares opened weaker due to higher local interest rates and anticipation of second quarter earnings. The IPC index of 37 top shares was down 11.41 at 2,199.54.

Telmex slipped 0.65 per cent in its L shares, with the telephone company's ADRs in New York down $⅜ at $54⅛.

Brazil

Shares in São Paulo were down 0.6 per cent in light trade as investors remained worried about liquidity problems in the banking system.

The Bovespa index of the 56 most active shares was off 247 at 40,139 in turnover of R$122.9m.

Brokers said there were rumours that some financial institutions were facing difficulties in liquidating fixed-income operations, in spite of the central bank's reduction in the discount rate late on Wednesday.

EUROPE

Late strength in dollar helps underpin bourses

The Bundesbank's decision not to make any movement on the discount and Lombard rates should have come as no surprise to the markets and, in the event, most of them remained resilient. There was some satisfaction at the announcement that the repo rate was fixed for the coming four weeks, but the main cause for late strength was attributed to the rise in the dollar.

FRANKFURT saw the Dax index fall 25.35, or 1.1 per cent, to 2,113.30 in the official session, which closed before the Buba went public.

In later trading there was a marked improvement as the index settled at 2,119.94. Turnover amounted to DM5.6bn.

BZW's global strategist, Mr Michael Hughes, said that with evidence that money supply growth was coming under control he was now reversing his recommendation for German bonds and equities.

Consequently, BZW had upgraded bonds to neutral from aggressively underweight and downgraded equities from neutral to underweight. "The outperformance of German equities over bonds was facilitated by excess liquidity coming into the German economy." he said. "As this withdraws we would expect the relative performance to change."

The banking sector was pressured yesterday as some investors became nervous ahead of results due from Deutsche Bank and Commerzbank next week, with reports that they could be disappointing. Deutsche recovered in Ibis trading: having closed at DM721, the stock was finally a net DM8.50 off at DM726. The story was repeated at Commerzbank, DM337.50 in the official and down DM1.30 at DM338.90 in the Ibis.

ZURICH continued its recovery, with the day's half-year figures from Sulzer helping to consolidate a more positive view of the corporate outlook. The SMI index advanced 17.1 to 2,579.4.

Sulzer appreciated SFr20 to SFr905, with news that orders in the first six months of 1994 increased by 3 per cent in Swiss francs and 6.5 per cent in local currency terms proving better than some analysts had expected.

Nestlé picked up a further SFr26 to SFr1,170 in continued response to its better than expected first-half figures earlier in the week. The shares have risen 6 per cent over the last two sessions.

Roche certificates continued their improvement, adding SFr50 at SFr5,400. Their slide last week after disappointing figures had unsettled investors and led the market lower.

Elsewhere, Brown Boveri, which posted strong gains earlier in the week, saw profit-taking which left the shares SFr12 lower at SFr1,122.

AMSTERDAM moved closer once again to breaking through the 400 mark, the AEX index finishing up 1.24 at 399.04.

DSM and Akzo made good gains, Fl 4.60 and Fl 2.60 respectively, to Fl 141.30 and Fl 205.20. Kleinwort Benson favours the chemicals sector, giving it a 36 per cent overweight holding in its model portfolio, although this is substantially less than the 76 per cent holding it favours for consumer goods, which includes both Polygram and Philips.

The investment bank said that these weightings reflected the "cyclical bias which we emphasise as being key for exposure to the European economic recovery".

PARIS recovered its balance after earlier declines, helped by late strength in futures. The CAC-40 index added 10.06, or 0.5 per cent, at 2,053.78, having dropped to a day's low of 2,023.11. Turnover was FFr4bn.

Eurotunnel claimed a 2.7 per cent rise, the shares ending 65 centimes up at FFr34.55 on news that a US investment fund had lifted its stake.

Michelin, up FFr1 at FFr254, has been upgraded to "buy" by James Capel, which raised its forecasts, based on the view that new products were performing well.

MILAN shrugged off the day's political tensions and edged ahead as it awaited further budget details from a cabinet meeting after the market closed. The Comit index rose 3.61 to 720.11.

Telecommunications stocks overcame early hesitancy which followed comments by Mr Lamberto Dini, the treasury minister, who said there was no fixed timetable for their privatisation. Stet closed L65 higher at L5,545, while Sip was L75 ahead at L4,560.

STOCKHOLM moved very slightly lower on profit-taking following rises over the last 10 sessions. The Affärsvärlden general index eased 0.1 to 1,445.2.

The forestry sector continued to outperform as rumours of further increases in pulp and paper prices resurfaced. Stora moved ahead SKr4 to SKr400, while MoDo added SKr5 at SKr345.

MADRID was unable to make any headway, the general index softening 0.06 to 304.34.

Banco Bilbao Vizcaya rose Pta45, or 1.6 per cent, to Pta2,950. On Wednesday, the bank announced a 17.2 per cent fall in first-half pre-tax profits, but analysts said the result did not look so bad if losses in trading operations were excluded.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jul 21							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1365.26	1365.20	1368.19	1367.49	1364.47	1365.56	1368.54	1371.54
FT-SE Eurotrack 200	1401.97	1402.67	1403.08	1404.77	1405.20	1402.42	1408.58	1407.95

	Jul 20	Jul 19	Jul 18	Jul 15	Jul 14
FT-SE Eurotrack 100	1367.56	1361.71	1346.11	1349.02	1337.33
FT-SE Eurotrack 200	1407.57	1404.54	1391.67	1392.05	1374.18

Base 1000 (26/10/90); High/day: 100 - 1371.54; 200 - 1409.58 Low/day: 100 - 1363.58 200 - 1398.17

ASIA PACIFIC

Nikkei falls despite optimism on economic recovery

Tokyo

Prospects of an economic recovery and expectations of buying by public funds were ignored, and share prices lost ground on selling by investment trusts and institutional investors, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was off 157.84 at 20,622.92 after a day's high of 20,767.65 and low of 20,608.72. Volume came to 258m shares, against 310m, and equities declined throughout the day amid a lack of participants due to prevailing uncertainty over the course of the yen.

The Topix index of all first section stocks slipped 13.51 to 1,651.98 and the Nikkei 300 lost 2.67 at 299.55. Declines led advances by 771 to 249, with 167 issues unchanged. In London the ISE/Nikkei 50 index eased 0.86 to 1,337.88.

Investors did not react to Wednesday's Bank of Japan quarterly economic report which concluded that the Japanese economy was headed for recovery owing to rising consumption, fiscal stimulus and growth in overseas markets.

Meanwhile, the release of Y1,000bn in postal insurance money on Wednesday, of which 50 per cent is expected to be placed into the stock market over the next few months, also failed to boost share prices.

Traders said that while investors were still nervous over currency fluctuations, prospects of buying by public funds prevented selling. "There is likely support around the 20,500 level," said one Japanese broker.

High-technology exporters were lower on small-lot selling by domestic institutions. Mitsubishi Electric dipped Y11 to Y698 and Sony Y60 to Y5,950.

Reports that utilities would continue to pass on the benefits of the high yen by cutting rates hit electric power and gas companies. Tokyo Electric Power, for instance, receded Y30 to Y3,000.

Hopes of increased capital spending boosted Komatsu, the construction machinery maker, in the morning session. However, later profit-taking eroded the gain and the stock, the most active issue of the day, closed a net Y8 down at Y945. Daifuku, a factory equipment maker, put on Y30 at Y1,360 and Kato Works, a truck crane company, firmed Y8 to Y746.

Speculative trading supported Tomoegawa Paper, which rose Y80 to Y566, while Oriental Yeast advanced Y80 to Y1,360 on the second section.

In Osaka, the OSE average declined 120.73 to 23,085.08 in volume of 45m shares.

Roundup

There was a mix of performances among the region's markets yesterday.

Baring Securities turned more bullish on Asian equities yesterday, *Reuter reports from Singapore.* Mr Alan Butler-Henderson forecast that Hong Kong and Thailand would lead a rally which could last between six to nine months, based on chart analysis.

He expected the Hang Seng index to climb to 9,800-10,600 by end-September, and to 11,000-12,000 by end-December; while he estimated that the SET index would rise to 1,550-1,650 by end-September and to 1,700-1,850 by the end of the year.

TAIPEI finished at its highest level since June 1990, with paper stocks leading the rally, while plastics halted three days of falls to resume an upward momentum.

The weighted index ended 103.40, or 1.6 per cent, up at 6,577.70, its best close since June 7, 1990. But turnover fell to T$91.5bn from Wednesday's T$105.9bn.

Papers led the gains on hopes of a rise in pulp prices, with Chung Hwa Pulp and Taiwan Pulp both advancing by the daily 7 per cent limit to T$48.40 and T$38.30 respectively. Among plastics, China Petrochemical strengthened T$2.20 to T$37.40.

SHANGHAI saw a sell-off of large-capitalisation stocks and the blue chip Pudong which took the A share index down 3.5 per cent to its lowest finish since early 1993.

The index dropped 13.67 to 380.95 in thin turnover of Yn237m, against a daily average of around Yn1bn in the first five months of this year.

The A index has lost 76.8 per cent from its peak in February last year, pressured by the rapid expansion of new listings and heavy issuances of state bonds. In the past three months alone, the A index has slid more than 800 points.

In Shenzhen, the A index weakened 1.4 to an all-time closing low of 97.91.

HONG KONG had an initial fall cut back as a wave of bargain hunting pushed the Hang Seng index back above the 9,100 benchmark. The index ended 71.16 down on balance at 9,117.66, after losing 160 points at one stage.

Much of the profit-taking was attributed to renewed worries about rising US interest rates, while lower than expected Bank of East Asia results accelerated selling.

Bank of East Asia retreated HK$1.10 to HK$32.30 after announcing a 12.1 per cent rise in net profits for the first half of 1994, compared with market expectations of a 20 per cent increase.

The news fuelled profit-taking in HSBC, which fell HK$1.25 to HK$89.25, while its Hang Seng Bank subsidiary dipped 50 cents to HK$54.50.

SINGAPORE was easier as investors sold amid worries of higher US interest rates, although the underlying mood was said to be still positive. The 30-share Straits Times Industrial index closed 22.86, or 1 per cent, lower at 2,208.51.

SEOUL remained in the doldrums and stocks closed lower for the seventh consecutive session, although low-priced small-capitalised counters, lightly weighted on the index, attracted some interest. The composite index declined 1.32 to 935.35.

KUALA LUMPUR lost 1.3 per cent in a decline led by falls in Tenaga Nasional and Telekom Malaysia. The Composite index gave up 13.36 to 996.36.

Tenaga and Telekom, which account for more than a third of the composite index, fell 30 cents and 50 cents respectively to M$13.10 and M$19.

MANILA lost ground for the second day in a row as investors continued to take profits. The composite index ended 14.92 down at 2,648.54 in volume of 499.12m shares worth 772.8m pesos.

Metropolitan Bank and Trust was the day's top gainer, rising 1.4 per cent to 690 pesos.

Losers outpaced rises by 33 to 24. San Miguel, the country's largest food and beverage conglomerate, posted the biggest decline, sliding 2.7 per cent to 90 pesos.

PLDT and PNB defied the downtrend, the former climbing 1.3 per cent to 1,520 pesos and the latter 5 per cent to 420 pesos.

SYDNEY closed broadly lower, hit by weakness in markets elsewhere and accompanied by a fall in futures prices.

The All Ordinaries index registered a fall of 29.4 at 2,049.2, after a low for the day of 2,043.2. The September futures contract lost 40 at 2,057, after touching 2,054.

Coles Myer ended 2 cents off at A$4.29, after rising to A$4.52 earlier. Brokers said the news that Kmart planned to sell its 21 per cent stake in the company removed a long term problem from the share price.

Banks fell in line with renewed pressure on bond prices, with NAB shedding 18 cents to A$10.96 and ANZ 17 cents to A$4.09.

WELLINGTON buckled under the weight of selling from one large foreign portfolio to close weaker on the day. The NZSE-40 capital index lost 18.74 at 2,036.20 in turnover worth NZ$157m.

Volume was the highest seen in several months, but brokers explained that there had been a degree of duplication as a portfolio had been sold to one Wellington-based broker, who sold to clients and on to the open market.

BANGKOK fell back on profit-taking amid expectations of higher interest rates. The SET index surrendered 21.58 to 1,342.01 in moderate turnover of Bt9.88bn.

Banks and finance issues dominated trading but most falls were limited. The bank and finance sectors retreated 1.72 and 2.51 per cent respectively. The two accounted together for Bt4.56bn turnover.

S Africa seeks direction

Johannesburg was mixed, with some support appearing for industrials while the broad market tended softer in search of fresh direction.

The overall index finished 26 lower at 5,556, industrials moved forward 4 to 6,363 and golds lost 29 at 2,084.

Among industrials attracting demand, Barlows added 50 cents at R32.25 in turnover of R6.5m. SAB rose 25 cents to R86. Iscor gave back some of its recent hefty gain, slipping 10 cents to R3.90.

De Beers and Anglos lost ground on the back of Wall Street falls, De Beers dipping 50 cents to R109.25 and Anglos falling R4 to R235.

Sappi improved 25 cents to R52 and Sunbop rose R1 to R30.50. Kloof declined R1 to R57 and Vaal Reefs was R3 cheaper at R408.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 20 1994								TUESDAY JULY 19 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.93	0.5	167.44	109.21	142.44	158.01	0.1	3.49	174.08	165.46	108.97	140.91	157.85	189.15	138.56	139.25
Austria (17)	188.17	-0.8	180.11	117.47	153.22	153.12	-0.2	1.04	189.67	180.27	118.72	153.52	153.41	195.41	154.93	154.93
Belgium (37)	171.67	-0.5	164.31	107.17	139.78	136.61	0.2	4.05	172.45	163.91	107.95	139.59	136.35	176.67	143.82	149.54
Canada (106)	127.57	-0.3	122.10	79.64	103.87	127.62	-0.2	2.65	127.91	121.58	80.07	103.53	127.94	145.31	120.54	124.80
Denmark (33)	272.28	0.4	260.61	169.98	221.70	227.75	0.9	1.30	271.24	257.81	169.78	219.55	225.69	275.79	207.58	214.13
Finland (24)	158.70	-0.3	151.90	99.07	129.22	172.78	0.2	0.82	159.20	151.32	99.65	128.86	172.36	169.20	95.42	100.04
France (97)	175.84	-0.6	168.31	109.77	143.18	147.98	-0.2	3.03	176.85	168.19	110.76	143.23	148.26	185.37	150.92	161.24
Germany (58)	144.85	-0.2	138.64	90.43	117.94	117.94	0.4	1.75	145.13	137.95	90.85	117.47	117.47	147.07	112.69	117.04
Hong Kong (56)	373.11	0.7	357.13	232.92	303.81	370.04	0.7	3.21	370.67	352.32	232.02	300.03	367.62	506.56	271.42	274.89
Ireland (14)	201.90	0.9	193.26	126.04	164.40	185.97	1.3	3.28	200.02	190.12	125.21	161.91	183.56	209.33	157.90	161.31
Italy (61)	88.01	1.6	84.24	54.94	71.66	102.54	1.7	1.48	86.63	82.34	54.22	70.12	100.84	97.78	57.88	69.95
Japan (469)	168.14	0.3	160.94	104.97	136.91	104.97	0.1	0.73	167.58	159.29	104.90	135.65	104.90	170.10	124.54	149.94
Malaysia (98)	475.35	0.8	454.99	296.76	387.07	474.81	0.8	1.72	471.46	448.12	295.11	381.61	470.91	621.63	333.86	333.86
Mexico (18)	1901.74	-1.2	1820.26	1187.21	1548.48	7077.61	-1.1	1.89	1924.76	1829.45	1204.80	1557.92	7154.01	2647.06	1516.57	1552.41
Netherland (27)	207.24	-0.1	198.36	129.38	168.75	166.19	0.8	3.42	207.46	197.19	129.86	167.93	165.21	207.46	165.15	165.15
New Zealand (14)	69.25	2.0	66.28	43.23	56.38	61.10	1.6	3.91	67.90	64.54	42.50	54.96	60.15	77.59	51.97	51.97
Norway (23)	205.83	0.7	197.01	128.49	167.60	191.04	1.1	1.73	204.41	194.29	127.95	165.45	189.03	207.35	156.74	158.82
Singapore (44)	346.56	1.1	331.72	216.35	282.20	241.25	1.1	1.75	342.88	325.91	214.63	277.54	238.71	378.92	247.08	247.08
South Africa (59)	288.92	0.8	276.54	180.37	235.25	285.44	0.7	2.22	286.71	272.51	179.46	232.06	283.56	292.64	175.93	206.26
Spain (42)	142.27	-1.1	136.18	88.82	115.85	139.15	-0.8	4.14	143.83	136.71	90.03	116.42	139.93	155.79	116.33	120.72
Sweden (36)	215.34	-0.3	206.11	134.43	175.34	247.55	0.6	1.62	215.95	205.26	135.17	174.80	245.98	231.35	168.75	172.04
Switzerland (47)	158.42	0.9	151.64	98.90	129.00	130.04	1.8	1.87	156.93	149.16	98.23	127.02	127.74	176.56	124.46	124.63
United Kingdom (204)	194.34	-1.1	186.01	121.32	158.24	186.01	-0.4	4.06	196.40	186.68	122.94	158.97	186.68	214.96	172.26	172.61
USA (519)	184.35	-0.5	176.45	115.09	150.11	184.35	-0.5	2.91	185.19	176.02	115.92	149.89	185.19	196.04	178.95	183.14
EUROPE (720)	171.01	-0.4	163.69	106.76	139.25	153.68	0.2	3.03	171.88	163.18	107.46	138.96	153.33	178.58	143.32	143.93
Nordic (116)	213.84	-0.1	204.68	133.49	174.12	209.17	0.7	1.42	213.96	203.36	133.93	173.18	207.77	220.60	160.69	164.04
Pacific Basin (749)	175.44	0.4	167.92	109.52	142.85	114.67	0.1	1.04	174.75	166.10	109.39	141.45	114.51	176.88	134.79	153.20
Euro-Pacific (1469)	173.45	0.1	166.01	108.28	141.23	130.40	0.2	1.87	173.33	164.75	108.50	140.29	130.16	173.89	143.88	149.28
North America (625)	180.83	-0.4	173.08	112.89	147.24	180.45	-0.4	2.90	181.63	172.64	113.69	147.02	181.25	192.73	175.67	179.53
Europe Ex. UK (516)	154.53	0.0	147.90	96.47	125.82	134.08	0.6	2.43	154.52	146.87	96.72	126.07	133.32	157.47	125.09	125.80
Pacific Ex. Japan (280)	248.95	0.7	238.29	155.41	202.71	222.87	0.6	2.87	247.14	234.91	154.70	200.05	221.52	298.21	185.72	185.72
World Ex. US (1652)	174.25	0.1	166.78	108.78	141.88	133.62	0.2	1.89	174.15	165.52	109.01	140.96	133.40	174.76	146.58	149.91
World Ex. UK (1967)	174.85	0.0	167.36	109.16	142.37	145.90	0.0	2.05	174.88	166.22	109.47	141.55	145.92	175.58	155.96	158.81
World Ex. So. Af. (2112)	175.89	-0.1	168.35	109.80	143.22	148.54	-0.1	2.24	176.11	167.39	110.24	142.56	148.65	178.56	158.54	159.83
World Ex. Japan (1702)	183.42	-0.3	175.67	114.51	149.35	175.05	-0.1	2.92	184.01	174.90	115.19	148.94	175.22	195.20	166.51	167.35
The World Index (2171)	176.58	-0.1	169.02	110.24	143.78	149.56	-0.1	2.24	176.79	168.04	110.66	143.10	149.63	178.87	158.85	160.05

Latest prices were unavailable for this edition.